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FINANCIAL TIMES

Europe's Business Newspaper

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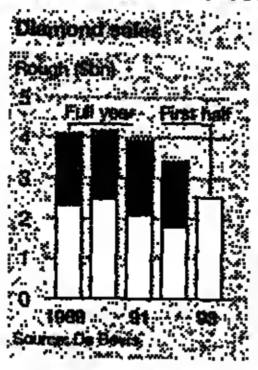
German prosecutor to be sacked in row over shooting

German federal prosecutor Alexander von Stahl is to be sacked for his role in a dispute over the shooting of a suspected urban guerrilla, the justice ministry said. The authorities have given contradictory accounts of the shooting, in the northern town of Bad Kleinen, which forced the resignation on Sunday of interior minister Rudolf Seiters.

S Africa clashes leave 116 dead: The death toll after four days of violence in South Africa reached 116 yesterday as black groups fought in the streets of two townships near Johannesburg. Page 14

Pay-off for Attali: Jacques Attali, who is resigning as president of the European Bank for Reconstruction and Development, is likely to receive a tax-free pay-off of more than £147,000 ($221,000). Page 14

Record rise in De Beers' diamond sales



Diamond sales by De Beers, the South African group which dominates the market, reached a record $2.54bn in the first half of this year, 42 per cent above the depressed total for the first six months of 1992. The company said special factors had boosted sales, which were unlikely to continue at such levels. Analysts said that even an average second-half performance would send De Beers' rough diamond sales above the record $4.17bn seen in 1988 and 1990. Page 22

Ashton Mining, Australian diamond miner, is planning an A$112m (US$75m) flotation of its gold production interests. Page 15

Japanese executives sacked: Three executives at Japanese construction company Hazama were sacked after being arrested during a bribery investigation. Page 6

UK attacked over economy: Britain was told by its European Community partners that its measures to curb its £50bn ($75bn) budget deficit were inadequate. Page 14

Krupp-Hoesch, merged German steel and engineering group, reported a half-year loss of DM330m ($189m) because of extraordinary expenditures in its steel divisions. Page 15

Serbian court rejects plea: Serbian opposition leaders may stage mass protests in Belgrade after the supreme court rejected an international appeal to release ailing opposition figure Vuk Draskovic. Page 2

Northwest Airlines, debt-burdened US carrier which is integrating its operations with those of KLM Royal Dutch Airlines, staved off a bankruptcy filing by reaching agreement with its pilots' union on cost cuts. Page 17

Postel, the UK's largest pension fund, announced a £120m ($180m) rescue package for Greycoat which will give it up to 87.7 per cent of the troubled property company. Page 15; Lex, Page 14

Italy's budget approved: The Italian parliament endorsed the mini-budget unveiled in May by Carlo Azeglio Ciampi's government.

UK car sales up: The UK motor trade recorded an 11.07 per cent year-on-year rise in new car registrations during June. Page 8

German jobless total rises: Western Germany's unemployment rate edged up to 7 per cent last month compared with 6.9 per cent in May. Page 2

47 die in Kashmir violence: At least 47 people died yesterday in Kashmir, where Moslem militants are fighting Indian rule.

Nokia in phone buy-out: Finnish electronics group Nokia is paying $31.5m to buy out Tandy Corporation of the US from mobile telephone manufacturing joint ventures in South Korea and Texas. Page 15

On the air: Mercury Communications, subsidiary of the UK's Cable and Wireless group, plans to offer airlines an in-flight telephone service for passengers. Page 3

Michelangelo draws record price: A drawing by Michelangelo, sold at Christie's in London for £4.2m ($6.3m), a world record for a drawing by an Old Master. It was bought on behalf of the Getty Museum in Malibu, California.

■ STOCK MARKET INDICES

FT-SE 100:	2848.1	(+9.6)
Yield	4.02	
FT-SE Eurotrack 100	1203.04	(+6.03)
FT-A All-Share	1413.02	(+0.3%)
Nikkei	19,829.78	(+206.72)
New York lunchtime		
Dow Jones Ind Ave	3485.38	(+1.39)
S&P Composite	446.25	(+0.41)

■ US LUNCHTIME RATES

Federal Funds:	3¼%
3-mo Treas Bills: Yld	3.012%
Long Bond	106
Yield	6.655%

■ LONDON MONEY

3-mo Interbank	5⅞%	(same)
Liffe long gilt future:	Sep 107¾	(Jun 107⅞)

■ NORTH SEA OIL (Argus)

Brent 15-day (Aug)	$17.17	(16.95)

■ Gold

New York Comex (Aug)	$393.1	(386.7)
London	$391.75	(387.85)

■ STERLING

New York lunchtime:		
$	1.5102	
London:		
$	1.51	(1.5115)
DM	2.5875	(2.5825)
FFr	8.6625	(8.6775)
SFr	2.28	(2.2875)
Y	163.25	(164.75)
£ Index	81.4	(81.3)

■ DOLLAR

New York lunchtime:		
DM	1.698	
FFr	5.7435	
SFr	1.5084	
Y	108.105	
London:		
DM	1.7	(1.698)
FFr	5.7525	(5.74)
SFr	1.51	(1.5125)
Y	108.2	(109)
$ Index	65.6	(same)
Tokyo close Y 108.25		

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11		
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10		
Belgium	BFr60	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45		
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220		
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00		
Cyprus	C£1.00	Israel	Shk5.80	Oman	OR1.50	Spain	Pta210		
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15		
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20		
Egypt	E£4.50	Kuwait	Fils600	Poland	Zl 22,000	Syria	S£50.00		
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250		
France	FFr9.00	Lux	LFr60	Qatar	QR12.00	Turkey	L8000		
						UAE	Dh11.00		

Missing KIO cash 'used to buy Kuwait liberation'

By Peter Bruce in Madrid

FORMER TOP officials of the Kuwait Investment Office have claimed that $300m which went missing shortly after the Iraqi invasion of Kuwait was used to buy political support in the west and the Arab world in favour of armed intervention to liberate the emirate.

According to confidential evidence submitted to Kuwaiti investigators looking into the collapse of the KIO's Spanish operation, a slush fund was created in London in 1990 to influence political leaders in countries which eventually came to Kuwait's rescue.

Substantial sums are also alleged to have been used to buy votes at the United Nations where Security Council votes later provided the legal basis for Kuwait's liberation led by troops from the US, Europe and Arab states.

Members of the KIO's former management, some of whom are accused by the Gulf Emirate of stealing between $300m and $510m, have persistently claimed that the missing funds were used to influence political opinion on the instruction of Kuwaiti leaders in exile.

Both the Kuwaiti government and the present management of the KIO deny the existence of such a slushfund.

However in the first official reference to the possible existence of a London-based slush fund, a Kuwaiti parliamentary committee investigating alleged losses of up to $5bn from the KIO's Spanish operations has been told that its former chairman, Sheikh Fahad Mohammed Al-Sabah, transferred $300m from Spain to accounts in London under his control soon after the invasion.

The report, by the parliament's finance committee, quotes Mr David Betts, chief financial officer at the KIO, as telling it in February that "the former president of the Office (the KIO), Fahad Mohammed Al-Sabah, asked him not to mention anything about the transfers that were made from Grupo Torras in Spain to his account in London and which amounted to $300m in 1990. He justified the secrecy by saying that these sums were confidential and were transferred for political purposes. (Sheikh Fahad) repeated this on several occasions."

Grupo Torras is the KIO's crippled Spanish industrial company. Some $1.2bn was tranferred to Torras by the KIO between August and October 1990 of which up to $510m cannot be accounted for. Writs issued against many former KIO managers in London earlier this year by Kuwait allege that this money was stolen. Mr Ismail al-Shatti, president of the committee, said yesterday that "there were transfers reaching $510m without justification. These transfers could be considered outright theft of the country's funds."

Current KIO managers and members of the Kuwaiti parliament say that the former management may be trying to hide the true destination of the money by pretending it was used to help save the country after the invasion by President Saddam Hussein's forces.

However Mr Betts is still highly regarded in the KIO and there is no suggestion of impropriety on his part. His testimony, if correctly reported, carries considerable weight. He was not available yesterday and Sheikh Fahad is believed to be in the Bahamas.

Negotiators report progress on tariff-cutting deal that could revive Uruguay Round

G7 summit prospects brighten on trade talks

By Michiyo Nakamoto and Peter Norman in Tokyo

PROSPECTS for today's economic summit of the Group of Seven leading industrial nations suddenly brightened in the early hours of this morning as trade negotiators reported some progress toward a wide-ranging tariff-cutting deal.

After nearly seven hours of talks, ministers from the so-called Quad countries – the US, the European Community, Japan and Canada – said progress was made in many areas towards a market access agreement that might breathe new life into the stalled Uruguay Round of trade liberalisation talks.

All participants warned that difficult problems remained to be overcome. But Mr Kabun Muto, the Japanese foreign minister, gave a hint of the scale of progress when he said agreement had been reached in some areas where the negotiators wanted to reduce tariffs to zero. The ministers declined to be more specific. They will meet again today.

Speaking at around 3am Tokyo time, Sir Leon Brittan, EC trade commissioner, said the negotiators had made progress on "a wide variety of issues" and he hoped for a "successful outcome" today. Mr Mickey Kantor, the US trade representative, was also optimistic, saying he looked forward to today's session.

Earlier, it had seemed that the G7 summit – the 19th since 1975 – would open under a cloud of unresolved trada disputes. A

PAGE 4
- ■ US and Japan seek to break trade deadlock
- ■ EC urges Miyazawa to stimulate growth

meeting between US President Bill Clinton and Mr Kiichi Miyazawa, the Japanese prime minister, yesterday failed to heal a dispute between the two countries over cutting Japan's annual current account surplus, currently estimated at about $150bn.

In a joint press conference, Mr Miyazawa flatly rejected US pressure for numerical targets to reduce the surplus. Showing little of the reticence normally associated with "lame duck" leaders, he said it was impossible for market economies such as the US and Japan to control the level of their imports and exports and so decide the level of their current accounts in terms of a percentage of gross domestic product.

Mr Miyazawa faces a general election on July 18 after losing a vote of confidence.

In the Quad talks, disagreements between the US and EC on trade in textiles were at the centre of yesterday's problems.

The US was reported to be unwilling to reduce tariffs further on textiles such as woollen suits where the EC has a competitive advantage. The US fears having to extend the same reductions to China and other countries under the most-favoured nation rule.

Japanese prime minister Kiichi Miyazawa and US president Bill Clinton talk before the summit meeting

"Textiles is the big problem because it is a huge business for the US, for the EC and for third world countries," an official close to the talks said.

Yet in the view of trade analysts, agreement on textiles would greatly help achieve a successful market access package. In addition to lowering tariffs, a textiles agreement would send a clear message to the other members of the General Agreement on Tariffs and Trade that the Quad group was serious about taking multilateral trade talks forward.

Some of the US's trading partners believed that Mr Kantor was keen to strike a deal. But they said the US had not moved its position much since the last Quad meeting less than two weeks ago in Tokyo.

As G7 leaders gathered last night, Mr John Major, the UK prime minister, promised to "badger and bully" the G7 to make progress on trade liberalisation this week, but acknowledged that it would "not be easy".

Mr Major underlined the importance of completing the Gatt round, which he said was no less vital to the world economy and creating employment than it was at last year's G7 summit in Munich.

UK legal review a threat to jury trials

By Robert Rice in London

THE ANCIENT right of defendants to trial by jury was threatened yesterday when Britain's Royal Commission on Criminal Justice urged its abolition, prompting a potential confrontation between the government and the judiciary.

This was the most controversial proposal among 352 recommendations for change in the British criminal justice system made by the independent government-appointed commission and seems certain to cause a political storm if accepted.

Mrs Barbara Mills, director of public prosecutions, had backed the change to save costs by cutting down on the number of cases tried in crown courts each year.

The overwhelming majority of the 30,000 defendants who elect jury trial each year later change their plea to guilty, resulting in a waste of court time and resources. But senior judges are strongly opposed to abolition of a right which stretches back to the signing of the Magna Carta in 1215.

Members of the judiciary are reluctant to abandon a system first introduced following the Norman invasion in 1066 and which has since been adopted in Commonwealth countries and the US.

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Apple to shed 2,500 jobs in plan for broad restructuring

By Louise Kehoe in San Francisco

APPLE COMPUTER, which last month appointed a new chief executive, said yesterday it planned to cut 2,500 jobs, reducing its workforce by more than 15 per cent. It intends to carry out a broad restructuring over the next year.

The announcement confirmed speculation that the US personal computer company would make severe cuts to reduce costs and boost flagging profit margins as competition increases.

The company's main problem is that its Macintosh desktop computers are no longer gaining market share despite aggressive price-cutting. The company faces increasing competition from standard personal computers based on Intel chips running Microsoft's Windows software.

Apple will take charges in the current quarter to cover the costs of job cuts. Although the company provided no estimate of the amount, analysts calculated they could exceed $100m and result in a loss for the quarter. Most of the redundancies will occur this month.

The company provided no details of its restructuring plans which it said would be be revealed later this month. Apple is expected to report its third quarter earnings next week.

Mr Michael Spindler, Apple's new chief executive, was unavailable for comment on his first decisive action since taking over from Mr John Sculley last month. Mr Sculley, who remains Apple chairman, is on sabbatical.

The restructuring is expected to affect all divisions and administrative operations may be particularly vulnerable.

Last month, Mr Sculley warned that Apple's earnings in the second half of the financial year to September would fall below last year's levels. He said the company would take "aggressive" actions to boost sales and "appropriate" actions to create earnings growth. For the third quarter of 1991-92, Apple reported net earnings of $131.7m or $1.07 a share on $1.74bn in sales.

Apple has already posted two consecutive quarters of profit declines. It suffered a 3 per cent drop in its first quarter and 35 per cent downturn in the second quarter. Gross profit margins dropped to 38.5 per cent of sales in the second quarter, from 44 per cent a year ago.

Mr Spindler's appointment was seen as a move to focus Apple's top management more directly on current problems. Mr Sculley showed greater interest in building new business opportunities for Apple in the emerging field of multimedia communications.

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Brussels to reject Dublin's insistence on extra funding

Irish out of luck in EC aid row

By David Gardner in Brussels

THE row sparked by Ireland's blocking at the weekend of the European Community's largest ever regional aid programme looks set to worsen today, as signs emerge that Brussels may not even be able to guarantee Dublin the funding that the Irish government has already rejected.

The European Commission and EC ambassadors to Brussels hold separate meetings today to try to break the logjam, caused by Ireland's refusal to accept less than the I£8bn (£7.7bn) that Prime Minister Albert Reynolds says he was promised at last December's Edinburgh summit.

Mr Jacques Delors, Commission president, is understood to have offered the Irish I£7.5bn last weekend, when EC foreign ministers tried to agree on the Community's Ecu157bn (£121bn) regional aid programme for 1994 to 1999.

But the Commission is divided on whether Ireland has been offered more than it is entitled to under the criteria set at Edinburgh. Spain, Portugal and Greece – which with Ireland make up the "Cohesion Four" member states earmarked for the EC's most generous grants – are objecting that some of the money already offered to Dublin will have to come out of their pot.

"There's a limit to the number of times you can hand out the same money," one EC diplomat said.

Mr Bruce Millan, the Scottish commissioner for regional policy, is insisting on sticking to the Edinburgh criteria. These weigh factors like regional per capita income, unemployment levels, size of population and of rural population. In the 1989-1993 regional aid package, Ireland got 13.5 per cent of funds for the "Cohesion Four" – giving it 2 to 2½ times more per capita than its poor colleagues – whereas now it is being offered an 11 per cent share.

"On the most generous interpretation of Edinburgh," one senior EC official said, "you just about arrive at I£7bn for Ireland. Even I£7bn would leave Ireland measurably in front of the other three" on funding per head. "There's only so much we can do to get [Mr Reynolds] out of a hole he's dug for himself."

An ambassador from one of the "Cohesion Four" said the three others were not ready to be flexible. It was not reasonable for anybody to offer something which differs substantially from what was approved by the Edinburgh summit.

If the package is not wrapped up this week for delivery to the European Parliament next week, funding is unlikely to start next January.

It is understood, however, that Mr Reynolds' government is examining ways of dressing up the offer to Ireland, by trying to squeeze more money out of Community regional funding and out from unspent 1989-1993 aid funds.

Jobless total up again in west Germany

By Christopher Parkes in Frankfurt

THE unemployment rate in western Germany edged up to 7 per cent last month as recession continued to plague the economy and the summer lull took its toll. This compared with 6.9 per cent in May and 5.6 in June last year.

People drawing benefit rose by an unadjusted 18,300 to 2.17m. Seasonally adjusted the increase was close to 30,000. But the official jobless total was also reduced by tighter controls on registration.

While some 315,000 people were newly registered as unemployed during the month, a further 297,000 "ended their unemployment", according to an official statement. However, vacancies were down 8 per cent on June last year.

Separate figures from the Federal Labour Office showed that in May 482,000 (1.7 per cent) fewer people were in work in the west than in the same month last year.

Pressures on the labour market were also illustrated by a reduction in new apprenticeships from almost 44,000 in June last year to 24,000.

Meanwhile, numbers working short-time in the region during June fell 41,500 to around 897,000. There was also a modest increase in joblessness in the east, where the rate was unchanged on the month at 14.4 per cent, although slightly down on the 14.7 per cent recorded in June last year.

Although there are some signs that the recession is bottoming out, unemployment is expected to continue increasing as industrial employers slim down their operations to restore lost competitiveness.

Diesel engine and plant maker Klöckner-Humboldt-Deutz, for example, yesterday announced that a further 2,000 jobs would have to go.

Machine tool body proposes policy for industry

By Andrew Baxter

THE European Commission will shortly begin a new round of talks which could lead to Europe's first formal industrial policy for the fragmented and recession-torn mechanical engineering industry.

Mr Alexander Schaub, deputy director general of its DG III division, confirmed yesterday that he had received a proposal paper from Cecimo, the umbrella body for 12 European machine tool associations, on a possible industrial policy for machine tools.

The unpublished document, obtained by the FT, is part of a much wider proposal being prepared by Orgalime, liaison group for the European mechanical, electrical, electronic and metalworking industries, for an EC industrial policy covering the entire mechanical engineering sector.

The industry believes such a policy could be vital in helping it counter foreign competition more effectively.

According to Cecimo, the machine tool industry is facing heavy competition mainly from Pacific Rim countries such as Japan, South Korea, and Taiwan because of its strategic position at the core of all key manufacturing industries.

"Without a firm industrial and trade policy, there is a risk that, in the future, Japan could decide what type and how European cars should be built."

Cecimo says it is not looking for hand-outs, but for the means to allow individual companies to "achieve their own strategic objectives."

Among its proposals are:

● raising ceilings on company size in last year's EC guidelines on state aid for small and medium-sized enterprises (SMEs), so more machine tool builders can benefit;

● introducing measures to stimulate investment by SMEs in medium and high-technology capital goods;

● early adoption of the European company statute, to create the legal environment for establishing companies of an optimum size;

● clarification of several overlapping EC directives affecting the machine tool sector.

Mr Schaub said he hoped a decision would be made by the end of this year on whether to prepare a formal communication on industrial policy for mechanical engineering.

Any communication, however, would be based on the EC's "horizontal" rather than sectoral approach to industrial policy. Failing that, the talks would at least clarify what help the sector could reasonably expect from the Community.

Cecimo was already concerned about the effects of the recession in early 1992 when it presented an initial document listing the industry's problems to Mr Schaub.

Since then, conditions have worsened. Employment in the Cecimo countries, which include Switzerland, Austria, and Sweden, fell 12 per cent last year to 166,000, excluding eastern Germany.

Its latest document points out that there are some 1,500 European machine tool producers employing an average 125 people each.

Companies making standard machine tools are too numerous and too small to compete effectively on a world market, says the Cecimo document, while the more specialist producers often lack the financial power to develop a global presence and weather recessions.

Serbian court rejects plea for Draskovic

By Laura Silber in Belgrade

SERBIAN opposition leaders were meeting last night to decide whether to call mass protests in Belgrade after the supreme court rejected an international appeal to release the ailing opposition figure, Mr Vuk Draskovic.

President Slobodan Milosevic of Serbia yesterday ignored a plea from Mrs Danielle Mitterrand, the French president's wife, to release Mr Draskovic who last week began a hunger strike in protest against his imprisonment. Mr Draskovic and his wife were arrested and severely heateo at a demonstration in Belgrade last month at which a policeman and e protester were killed.

"He [Milosevic]. . . . did not conceal his displeasure at having to see her," said e member of the Serbian delegation who attended the one-hour meeting. Mr Ivica Dacic, spokesman for Serbia's ruling Socialists, dismissed as "cynical" the intervention of Mrs Mitterrand "while Serbia was in a dungeon".

Leaders of the Serbio Renewal Movement (SPO), Serbia's biggest opposition party, held closed-door meetings after hospital doctors said Mr Draskovic's condition had "deteriorated".

Diplomats in Belgrade yesterday said the "arrogance" of Mr Milosevic could backfire and prompt unrest in Belgrade, the Serbian capital. "People may take to the streets. The prognosis on Vuk is so bad. The supreme court has basically said it works for the regime."

Meanwhile, Serb and Croat commanders at the lest minute pulled out of talks with the commander of the Bosnian army which were to have been held yesterday at Sarajevo airport on the establishment of a ceasefire and the safe havens issue.

Reports from all three sides said fighting continued yesterday in north, central and southeast Bosnia.

In the southwestern city of Mostar, Bosnian radio said Croat forces fired on the 16th century Ottoman bridge, which is a UN landmark and the symbol of the battered city.

Moslem-controlled Sarajevo radio said Serb forces in Brcko in north Bosnia brought in reinforcements after suffering heavy losses in fighting with Moslems.

The UN said many key roads were blocked in central Bosnia where Moslems and Croats, allies against Serbs earlier in the war, are fighting for territory.

Images of death: a Croat soldier crouches with his gun at a school window in Mostar above a graffiti skull on the wall below

Azerbaijan sends in new troops

By John Lloyd in Baku

THE Azerbaijan government has sent troops and tanks to the front-line town of Agdam on the border of the disputed enclave of Nagorno-Karabakh in a desperate bid to stop the advancing Karabakh Armenian forces from taking it. The regional centre's fall would be e severe blow for the new government of Mr Gaidar Aliyev, the former Communist party first secretary who is now acting head of state.

The Azeri defence ministry said yesterday that as many as 2,500 soldiers had been sent to the front on Sunday and Monday with about 20 tanks. It claimed some villages around the town, captured and burnt by the Armenian forces over the weekend, had been retaken. However, eyewitnesses in Agdam said there were fewer than 2,500 fresh troops and there was no indication the siege of the town had been lifted.

Unconfirmed reports also pointed to the presence in Agdam of Mr Suret Husseinov, the new Azeri prime minister and former commander of the Azeri counter-offensive in Karabakh last year. It was his threat last month to march on the capital, Baku, with soldiers loyal to him that caused the downfall of President Abulfaz Elchibey and the return to power of Mr Aliyev - as well as his own elevation.

Brussels presses Italy over steel

By Andrew Hill in Brussels

THE European Commission will today renew pressure on Italy to fall in line with Community plans to restructure the ailing EC steel industry.

Concern is growing in Brussels that Italy's reluctance to amend its plans to restructure Ilva, the state steel producer, could derail EC steel policy. To try to force Italy's hand, the Commission is likely to open a formal procedure today to recover state subsidies allegedly being pumped into Ilva.

Commissioners will also debate proposals intended to stop the Italian state continuing to finance Ilva's losses, which one Brussels official estimated yesterday at Ecu150m (£116m) a month.

The Italian government says Ilva is not receiving state aid as such and refuses to make the capacity cuts which Brussels is demanding in return for the subsidies.

Commission officials said yesterday the letter was intended mainly as e threat to the Italian government.

Brussels is already blaming the Italian stubbornness – in particular, Ilva's alleged attempts to block an independent study of the company – for the probable postponement of this month's crucial meeting of EC industry ministers. That meeting was supposed to decide on a *handful of highly* sensitive cases of state aid to producers in Spain, east Germany and Italy. It would lay the ground for formal agreement on a wide-ranging overall plan for capacity cuts.

Today, Mr Karel Van Miert and Mr Martin Bangemann, competition and industry commissioners respectively, will tell Mr Melchior Wathelet, Belgium's economics minister who will chair the meeting, there is no point going ahead while the Italian case, in particular, remains unresolved.

Le Pen visit ends in transit lounge

By Rachel Johnson

AT LEAST he landed this time. Repelled by the hotellers and local authorities of Dublin and Edinburgh, Mr Jean-Marie Le Pen, beacon of Europe's far right, arrived on British soil yesterday – to spend an hour in e dingy Heathrow officedefending himself against accusations of fascism and profligacy.

He theo flew oo to Rome – a city where Mr Le Pen, mentioning Mussolini, said he was "always welcome and courteously received."

This was in contrast to the reception his plans to attend meetings in Dublin and Edinburgh met this week. Hotels, anxious to avoid demonstrations, hounced his hookings and Edinburgh council called his proposed visit "an affront to the people of Edinburgh."

Airport police yesterday forced Mr Le Pen to confine his visit to the British Isles to e suffocating conference room hetween Terminals One and Two.

Inside, Mr Le Pen contended with hostile questioning about his views and the serial junketing that took him to a 5-star hotel in Corfu a fortnight ago and raised questions in the European Parliament about the abuse of public funds. Mr Le Pen produced figures which he claimed showed his accounts were clean.

He said the treatment he had received in Edinburgh and Dublin was "a defeat for the European Parliament, e defeat for democracy and a defeat for international courtesy, but not a defeat for us." As an MEP he had diplomatic status and should be able to travel freely throughout Europe.

Anti-fascist groups would not prevent him from visiting (or trying to visit) one EC country a month, he said.

Having dealt with hospitality hiccups, he moved on to the issue of immigration. Mr Edouard Balladur, the prime minister, was a "dinosaur" whose new laws would be hopeless to prevent a "*torrent migratoire.*"

Parliament votes today on a package vital to government finances

Mini-budget a mega-event for Hungary

By Nicholas Denton in Budapest

HUNGARY'S conservative government is set to force through parliament today an emergency budget as unpopular as it is essential to bring wayward government finances into line.

The vote is a crucial test of the parliamentary majority commanded by Mr Jozsef Antall, prime minister, in the wake of recent defections from his Hungarian Democratic Forum. Extreme nationalists led by Mr Istvan Csurka have broken away to form the far-right Hungarian Justice party, and restlessness among the Forum's two coalition allies has even led to speculation that the government could – like the Polish government – fall over the fiscal measures.

But none of the three conservative coalition parties is ready to fight an election and the controversial proposal to increase VAT on food and other staples from 6 to 10 per cent is now expected to pass today's vote, giving the government a breathing space until autumn and possibly until elections slated for next May.

The budget package aims to bring down the public sector deficit from last year's 7.3 per cent of gross domestic product to 6.8 per cent this year and 5.6 in 1994. But slippage is likely. Past budget forecasts have been notoriously over-optimistic, while social security has recently come under partial control of the ex-Communist unions who want pensions to catch up with inflation.

Officials expect, however, that package will be approved and make possible a new accord with the international Monetary Fund, which suspended credits when Hungary's budget deficit careered through agreed parameters in mid-1992.

Agreement with the IMF would allow Hungary to take up $700m in IMF facilities over 18 months and clear the way for World Bank credits to help restructure the most indebted companies and recapitalise the largest commercial banks after massive loan losses.

With so much riding on the mini-hudget, Mr Ivan Szabo, finance minister, says: "If parliament rejects this, we might as well put up the shutters."

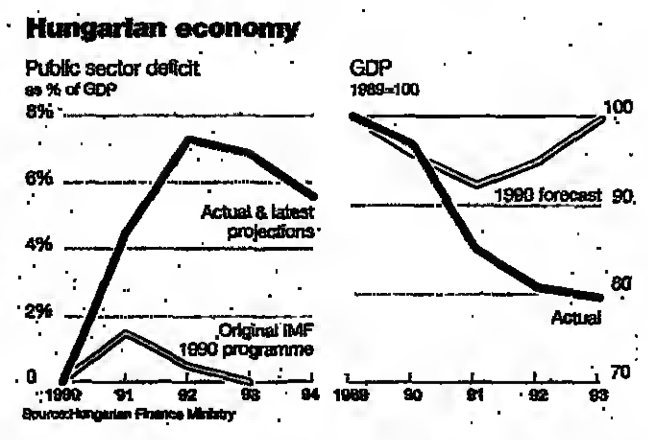
While the package may satisfy the IMF, it will not hy itself right Hungary's public finances. Underlying the budget deficit is a 19 per cent decline in GDP between 1989 and 1992, and further stabilisation of government finances must ewait economic recovery.

But Hungary's recession is in some respects only now impacting on the hudget. Falling profits at the state utilities have induced the government to opt for e form of privatisatioo which lowers expectations of direct sales proceeds.

The devastating impact of last year's bankruptcy laws on the capital strength of financial institutions is also only now becoming clear. Tax revenue from them was formerly a budget mainstay but this year the government plans to inject about Ft100bn (£720m) into the troubled banks in special bonds and in future the budget will have to service the debt.

Most of all, however, the budget outlook depends on the timing of recovery. The government earlier predicted a rebound of 0-3 per cent. But the finance ministry now expects a decline of the same order. The main reason is recession in Germany and Austria, Hungary's two main trading partners. First quarter exports to developed countries dropped 30.5 per cent compared with 1992 and domestic demand cannot compensate.

Mr Almos Kovacs, deputy state secretary at the Finance Ministry, says bluntly: "For Hungary, growth without exports is impossible." This leaves Hungary and its budget drafters, like everyone else in Europe, waiting for the Bundesbank.



The infection deep inside Italy's health ministry

Haig Simonian dissects the latest stream of corruption revelations

THE stream of revelations about corruption in Italy's ministry of health suggests health was at least as lucrative an activity for Italian politicians as telephones and transport – two of the main areas of corruption revealed so far.

The investigations have triggered the arrest of a string of leading executives from the pharmaceuticals, advertising and public relations sectors. They have tarnished the reputations of some of Italy's top medical men and already caused one probable suicide.

At the root of the investigations are Mr Francesco De Lorenzo, the former health minister, who resigned in February after being accused of running a jobs-for-votes scam in his native Naples, and Mr Giovanni Marone, his ex-secretary. Mr De Lorenzo, for whom magistrates have asked that his parliameotery immunity be lifted, has pleaded innocence. Mr Marone, arrested earlier this year, has sung like a bird.

So far, his testimony, widely leaked by magistrates, has cut a swathe through the medical and pharmaceuticals establishment, taking a good swipe at advertising and PR on the way. The impact of the allegations is that the ministry and some of its top officials were open to financial incentives for a variety of favours.

Magistrates have arrested Mr Ambrogio Secondi and Mr Cristiano Steigler, chairman and managing director of the Italian subsidiary of SmithKline Beecham, the multinational pharmaceuticals group.

Other arrests include Mr Giampaolo Zambeletti, the former owner and managing director of one of Italy's leading independent pharmaceuticals companies, and Mr Claudio Cavazza, chairman of Sigma Tau, another leading independent pharmaceuticals group.

Mr Secondi is also chairman of the industry association, while Mr Cavazza is a former chairman.

The latest arrests take to double figures the number of leading drug company executives arrested in the past fortnight. Others include Mr Andrea Montecchi of Schiapparelli and Mr Paolo Raimondo of Zambon.

Mr Zambeletti, accused of making illegal contributions to political parties, allegedly paid L600m (£235,750) to an advertising agency for fictitious services. The money in fact went to finance the election campaign of the small Liberal party, of which Mr De Lorenzo is a leading member.

Mr Secondi and Mr Steigler have also been arrested regarding allegedly illegal contributions. They are accused of giving Mr Marone L600m to a speed up approval procedures and influence pricing policy.

This week, the plot thickened with the arrest of Mr Elio Guido Rondanelli, one of Italy's best-known medical academics, and the issue of cautionary warrants against Mr Duilio Poggiolini and Mr Francesco Antonio Manzoli, two leading medical academics closely linked with the health ministry.

All three men also sat on Italy's independent pharmaceuticals pricing advisory committee, which reports directly to the ministry on the sensitive issue of drug prices. According to the magistrates' allegations, some committee members received kickbacks from drugs companies to influence their decisions. Last month, a morbid twist was added to the tale with the mysterious death, believed to be suicide, in Naples of Mr Antonio Vittoria, chairman of the pharmacy faculty at Naples university and a committee member.

However, the allegations about the health ministry go much further than drugs, reflecting the fact that its edict covers a range of other, less obvious sources, of patronage.

Last week, police arrested Mr Carlo Violati, the former chairman of the Ferrarelle mineral water company, on charges of making illegal political contributions. Mr Violati allegedly paid L200m to Mr Marone to speed up analytical work by the ministry.

Italy is the world's biggest mineral water market, and brands compete fiercely on a variety of factors, including the "healthiness" of their products. The allegations against Mr Violati has already led to suggestions that other entrepreneurs may also have sought to accelerate the ministry's activities.

The investigations into the ministry have also broken new ground in that they for the first time in the corruption scandal involve third parties, such as advertising agencies and big PR companies.

According to Mr Italo Ghitti, one of the Milanese magistrates closely involved in the investigations: "Not only did some agencies pay kickbacks, but they also lent themselves as channels for kickbacks to be paid."

Magistrates yesterday arrested Mr Claudio Masi di Vargas Macciucca, managing director in Italy of the FCB Mac/Publicis advertising agency. The arrest followed the detention last month of Mr Alessandro Incecchi, a former managing director of the Young & Rubicam advertising agency in Italy, and Mr Marcello Di Tondo, an executive of the Burston Marsteller group.

Mr Di Tondo's arrest is believed to concern allegations over the health ministry's big anti-Aids campaign – the same issue that prompted the arrest last month of Mr Aldo Brancher, an executive of Mr Silvio Berlusconi's Fininvest media group.

Mr Brancher, a lobbyist for Fininvest and assistant to Mr Fedele Confalonieri, its managing director, allegedly paid Mr Marone L300m in kickbacks on a television advertising contract during the anti-Aids campaign. According to normally reliable leaked testimony, Mr Brancher, who is still in jail, has claimed he was acting in a private capacity on behalf of his own company rather than Fininvest.

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Mercury to start in-flight phone lines

By Andrew Adonis

MERCURY Communications, a subsidiary of the UK's Cable and Wireless group, plans to launch what it claims is Europe's first "air-to-ground" telephone service later this year.

If the service is taken up by airlines, it will offer air travellers telephone, fax and a range of value-added services like electronic games and in-flight shopping, using base-stations and satellites to provide the necessary links to land-based networks.

The service is to be provided by a joint venture company called In-Flight Phone Europe, bringing together Mercury, In-Flight Phone International, a company providing a similar service in the US, and Irelandia, a private investment group.

Travellers will access the digital network through a telephone handset in the arm-rest of their seat, selecting services from a viewing screen on the headrest of the seat in front of them.

Rates for telephone calls will start at £2 a minute for non-international calls, charged automatically to a credit card.

The initial cost of establishing the network, which will require 60 terrestrial ground stations to provide a complete service, is believed to be around £10m. In-Flight Phone International said it had invested $80m (£53.3m) in its similar US system, which is in the process of being installed in 400 planes operated by USAir.

Mr Mike Harris, Mercury's chief executive, said: "the ability to make calls and receive messages in the air marks a significant breakthrough in communications for all European passengers."

The first phase of the network construction is expected to be finished by the end of this year, with all the ground stations in place by 1995. The equipment will be compatible with both European and North American standards and frequencies.

With telecommunications companies seeking to maximise revenue from value-added services, innovative products like In-Flight Phone, produced in partnership with niche companies, look set to become increasingly common.

UK cover for Poland resumed

THE Export Credits Guarantee Department, the UK's official export credit insurer, has resumed medium-term cover for Poland after an 11-year lapse which followed Poland's partial default on its foreign debt in 1982, writes Anthony Robinson.

Mr Richard Needham, the UK trade minister, said cover would be available on standard OECD terms to support exports of capital goods, semi-capital goods and services to Poland.

Resumption of ECGD cover, designed to improve UK exporters' opportunities in the Polish market, reflects Poland's successful re-negotiation of its $33bn (£22bn) debt to the Paris Club of official creditors in 1991.

Polish-UK trade has grown over the past two years but has been held back by bank financing difficulties and the lack of EGCD cover. In 1992 UK exports, boosted by rising oil sales, increased to £605m from £347 in 1991 while Polish exports to the UK rose from £313m in 1991 to £356m last year. The first quarter of 1993 showed gains, with UK exports up 65 per cent to £170m while imports from Poland rose 20 per cent to £101m.

China on a wing and a prayer

Simon Holberton on a Hong Kong investor's move to mainland

外商投资
Foreign investment

"I WENT to have a look, and there I was standing knee deep in a paddy field talking to the village headman who boasted that his *was* the best village in China." On the strength of that, Mr Patrick Wang, managing director of Johnson Electric, one of the world's leading manufacturers of micro-motors, made the most important decision in his company's life.

The year was 1982 and the place Shajing, a small rural village in Guangdong prefecture north of Shenzhen.

Today in Shajing – which has been transformed from a sleepy rural community to a light industrial town – Johnson produces 90 per cent of its output of micro-motors – motors for electric windows in Volkswagen, General Motors and Chrysler cars and a host of household appliances and power tools.

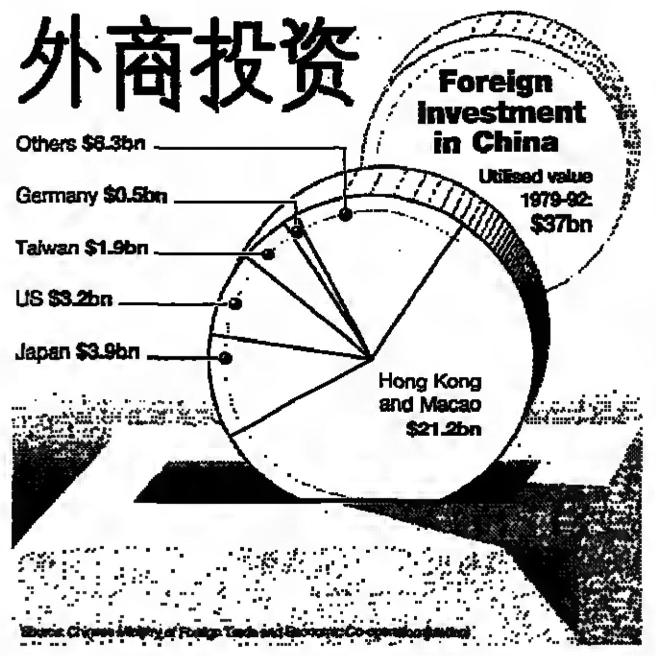
In the space of a decade the Hong Kong-based Johnson has gone from employing a few hundred to 7,000 workers at its Shajing factories. Mr Wang reckons that his prices would have had to be 30 per cent higher if he had stayed in Hong Kong and if he could have found the people to hire – a big if.

He says his investment in China has been paid back "many times over", and points *to Johnson's post-tax return on* investment of 20 per cent over the past few years. However, investing in Shajing has not been trouble-free.

"We had problems at different stages," Mr Wang says. "Initially electricity was not a problem, but as more factories set up in Shajing it became one. There was rationing; so we put in our own power plant. Water was also problem. We were forced to dig our own wells and when they ran dry – because the water table had fallen – we had to dig deeper."

The explosive growth in industrial activity also took its toll on the workforce. Today, Mr Wang says, most of Johnson's original employees, having got rich, have moved elsewhere. The workforce now comes from China's interior and that means having to house them.

For most of Johnson's decade in southern China the output of its factories has been



destined for foreign markets. This will change after two joint-venture companies it has established begin to turn their attention to the domestic Chinese market.

Mr Wang finds himself facing challenges many foreign businessmen meet when trying to sell into the Chinese market. For him, two things stand out: understanding the value of *guanxi* (connections) and knowing the local language and, if possible, more than one dialect.

"Connections are always useful in China," he says. "One gets a lot more information if you know the right people. Access to information is explicitly linked to *guanxi* networks. Information is held within the network and exploited for profit.

"There will be crackdowns on corruption, but China is China. It's not too different from the way Taiwan was. But it is not something that is out of hand, with no regard to the overall economics of a venture, like it is in Indonesia."

Developing a network is something to which Mr Wang is devoting considerable time. "I attend shows and technical seminars, use referrals and word of mouth. Also a lot of our customers – such as Volkswagen, General Motors and Chrysler – have operations in China and we can sell to them. You have got to use whatever you have."

He believes that for a western company, cracking the Chinese market is difficult. "You cannot depend on finding management or administrators in China – they do not exist," he says. "Western companies will have to identify managers in their companies who represent the core values of the organisation. If they decided the China market is crucial to them they then have to send them to live in China."

Pirelli wins $53m cable contract

By Haig Simonian in Milan

PIRELLI, the Italian tyres and cables group, Alcatel of France and AT&T of the US have won a $53m (£35.3m) contract for more than 600km of underwater fibre optic cable for an ambitious communications scheme in South America.

When completed, the new Unisur network will link Brazil to Uruguay and Argentina, greatly improving voice and data links in the southern cone of Latin America.

Unisur's four new fibre optic cables will eventually be able to carry up to 80,000 simultaneous telephone conversations. Unisur comprises 25 international telecoms carriers, including companies from Latin America, the US, Italy and Spain. Once connected with the existing Americas-1 fibre optic network, subscribers will gain a direct fibre optic telecoms link stretching from southern Latin America along the Brazilian coast to the Caribbean and North America.

The link will also allow Brazil, Uruguay and Argentina to hook up with another new fibre optic network, Columbus II, providing a continuous fibre optic connection under the *Atlantic to Europe*.

Malaysian power plan unveiled

MALAYSIAN Resources Corporation (MRCB) disclosed late yesterday plans to take over a proposed M$3.5bn (£899m) power-station project and acquire a listed vehicle for the power venture, *AP-DJ* reports from Kuala Lumpur.

The announcement came a week after the company completed M$800m in acquisitions that gave it control of two national media groups.

The transactions will transform MRCB into the nation's largest independent electricity producer, fleshing out the company's speedy metamorphosis from a small property concern to a diverse group.

It is controlled by parties allied with Mr Datuk Seri Anwar Ibrahim, finance minister, with equity interests in two planned electricity projects and controling stakes in Malaysia's largest print media group and only private television broadcaster.

But MRCB's rapid ascension has left it saddled with a cumbersome debt burden.

Analysts said they saw the latest power-related proposals adding to the burden while offering no immediate return.

Nafta jitters aid US-Mexican trade balance

By Nancy Dunne in Washington

THE uncertainty over passage of the North American Free Trade Agreement through the *US Congress* has led to a narrowing of the US trade surplus with Mexico and a fall-off in US exports to its southern neighbour, economists say.

The so-called "Nafta jitters" may prove the Clinton administration's argument that a strong Mexico is a better market for US exports, they add.

In April, the last month for which the US Commerce Department has figures, the US trade surplus with Mexico fell to $264m (£176m), from $299m in March and $591m in March 1992. US exports to Mexico in April dropped from $3.7bn to $3.6bn.

According to an analysis produced by First Chicago Bank, the tightening in Mexican monetary policy, which began about 14 months ago, has eased demand for imported goods, "while the fitful recovery in the US is increasing the demand for Mexican exports".

Since December the rate of growth of Mexican exports to the US had been higher than imports – for the first time since March 1990, said First Chicago.

"Mexican exports to the US are now increasing at three times the rate for imports from the US."

A Mexican official said: "When people are ready to jump the ship because of Nafta, because of a worry about devaluation, the government is forced to tighten the ship." Interest rates have risen to more than 15 per cent, hurting business and depressing demand.

"The rate of growth in Mexico is slowing," said Mr Chip Brown, an economist with Salomon Brothers.

'Mexican exports to the US are now increasing at three times the rate for imports from the US'

The Clinton administration has been arguing – without much success – that 200,000 *American jobs gained* in the past few years would be lost if Nafta failed. Most US voters are sceptical of such claims; they are more conscious of the thousands of jobs lost when factories shut down to relocate in Mexico.

According to First Chicago the current trade trends will be sustained by continued slow growth in Mexico and the economic recovery in US.

According to Mr Brown, the slowing of the Mexican economy is a good sign as "people can worry less about the balance of payments and the Mexican government would be less likely to devalue the peso".

NEWS: THE G7 SUMMIT

US and Japan seek to break trade deadlock

By Charles Leadbeater and Jurek Martin in Tokyo

NEGOTIATORS from the US and Japan were last night preparing for two days of intensive talks in an attempt to break the deadlock over a framework governing trade between the two countries.

However, US officials played down the prospects of an imminent breakthrough based upon compromise proposals made late last week by Mr Kiichi Miyazawa, the Japanese prime minister.

Mr Miyazawa's proposals have breathed new life into the bilateral talks, which resumed on the eve of this week's Group of Seven economic summit in Tokyo after stalling 10 days ago. However, the two sides are still sharply divided. Japan is resisting US calls for Tokyo to accept numerical targets for increasing imports and reducing Japan's $50bn current account surplus with the US over the next three years.

President Bill Clinton, speaking after an hour long meeting with Mr Miyazawa yesterday afternoon, admitted that the talks were in a critical period and were not "free of difficulty".

Mr Clinton praised Mr Miyazawa for reaching across the gap which divided the two sides to keep the talks alive. Mr Clinton said: "We have hopes. I do not want to raise hopes, but we have hopes."

Japanese officials said Mr Clinton called Mr Miyazawa's proposals a "useful first step". However, the Japanese proposal falls short of US demands in crucial areas.

Japan's government says it will stimulate domestic demand to promote growth, which will contribute to reducing the trade surplus. However, it explicitly rules out targets to reduce the surplus to between 1 per cent and 2 per cent of gross national product, which the US has called for.

Tokyo has conceded that it will use quantitative criteria retrospectively to monitor progress in expanding the foreign share of the Japanese market. However it has ruled out using these measures as targets to guide policy.

A senior Japanese official said: "We fear that as soon as we include a target it will be taken in the US as a commitment on our part to make sure that it achieved."

Mr Clinton stressed the US commitment to its often overlooked security alliance with Japan, as a counterpoint to the tensions over trade. He emphasised the US would maintain its military engagement in Asia, a theme he will take up at greater length today in a wide ranging speech at Waseda University on the US role in Asia.

Mr Clinton took a benign view on the political turmoil in Japan created by the splits within the ruling Liberal Democratic Party which triggered the general election on July 18. He said the political upheaval would eventually benefit Japan by strengthening its democracy.

However, US officials recognise that if they do not strike deal on trade with Mr Miyazawa's weakened administration in the next few days they may have to wait weeks if not months before a new Japanese administration is in place to resume substantive negotiations.

EC urges Miyazawa to stimulate growth

By Peter Norman, Economics Editor, in Tokyo

THE European Community yesterday pressed Japan to open its public procurement more to European products and suggested that Japan should cut income tax to help boost its economy.

At an EC-Japanese summit on the eve of the Group of Seven leading industrial nations' economic summit in Tokyo, the community delegation said it was "disappointed" at the efforts made so far by Japan to stimulate economic growth. It described Japan's $150bn annual current account surplus as a "macro-economic problem for Japan and the world".

Mr Henning Christophersen, the EC's commissioner for economic and monetary affairs, said Japan's two economic packages agreed last August and in April would not be sufficient to raise Japan's growth rate to its potential of 3 to 3.5 per cent a year. He also criticised Japanese growth measures as being mainly designed to increase demand for domestically produced goods and services. They would not promote growth elsewhere in the world, he said.

The EC delegation called on Mr Kiichi Miyazawa, the Japanese prime minister, to urge measures to cut Japan's current account surplus as a share of gross domestic product from the 3.7 per cent recorded in the second half of last year. Mr Christophersen said he feared that Japan's surplus could grow further next year to 4 per cent of GDP.

But the talks, while frank, appeared not to have been acrimonious. Mr Miyazawa admitted that Japan's current account surplus was embarrassing and said Japan wanted to increase domestic demand.

However, Sir Leon Brittan, the EC trade commissioner, said the Japanese leader gave no specific promise to take action. Mr Miyazawa asked the EC delegation if it had any ideas that could help, at which point the EC suggested that Japan cut income taxes.

On one issue, the EC and Japan were united. Sir Leon said the community had made clear that it did not support the US idea of "managed trade" to curb Japan's surpluses.

However, he told a news conference that the community would seek a "fair opportunity" to supply goods to Japanese public bodies.

He complained that the US had gained four times more than the EC from Japanese efforts to open up public procurement to foreign suppliers last year.

In the months ahead Japan Airlines (JAL) would be seeking engines for its new Boeing 777 aircraft and Japan's self defence forces would be looking for new executive jets. The EC expected that its companies would be considered as suppliers.

However, senior Japanese officials said Japan's public sector was more willing to buy foreign products than either the US or the EC. They said that more than 14 per cent of Japanese public procurement went to foreign suppliers in 1991.

In 1990, according to the latest available figures, EC public bodies bought less than 2 per cent of their needs from foreign suppliers, while in the US foreign suppliers met 11.9 per cent of public sector needs, the officials said.

The officials also said that Japan's bilateral trade surplus with the EC was declining. It fell 7.6 per cent in the first five months of this year, compared with the same period a year ago, they said.

Clinton (left) and Miyazawa enjoy a lighter moment in Tokyo yesterday

Major to 'badger and bully' for Gatt progress

By Peter Norman

MR John Major, the UK prime minister, last night promised to "badger and bully" to achieve progress on the stalled Uruguay Round of trade liberalisation talks at this week's Group of Seven summit in Tokyo.

Declaring that growth, unemployment and trade were the "centrepiece" of the summit, Mr Major said it was important to make progress on trade this week.

"I very much hope that by the end of the summit, we shall have a market access agreement opening up markets, lowering tariffs and increasing trade," he said.

Shortly after his arrival in Tokyo, the prime minister said he also hoped the summit could reach agreement to return to the full multilateral trade talks in Geneva. But "it won't be easy," he warned.

Mr Major was speaking as trade ministers from the so-called Quad group – comprising the US, the EC, Japan and Canada – settled down for talks late into the night on the hoped-for market access pact designed to lower tariffs on a wide range of manufactured goods and services. If successful, the Quad talks could give new impetus to the Uruguay Round.

Mr Major said Britain could quickly reach agreement on the Round but other countries had difficulties. British officials pointed out that even if progress was made on the trade talks this week, the outcome would have to be "multilateralised" and be accepted by the wider Gatt membership.

The prime minister said he would advocate supply side economic policies to encourage growth in the industrialised world and would push in the G7 meeting for future economic summits to be more simple.

Mr Major said President Bill Clinton had been right to speak of a crisis of slow growth in the G7. With 23m people out of work in the G7 countries "the only thing that is growing fast is unemployment," he said.

Tokyo pushes to win entry to bigger security council

By Charles Leadbeater and Peter Norman in Tokyo.

JAPAN yesterday formally lodged its bid for a permanent seat on an enlarged United Nations security council by pledging that it would discharge all the obligations that this would entail.

Japan's response to the UN on plans to restructure the security council calls for it to be expanded to about 20 members. In choosing permanent members the UN should give due weight to the country's political and economic weight in the world, according to the Japanese.

Tokyo's campaign for a permanent security council seat, which has recently won the support of the US, may put it at odds with the UK and France. Japanese officials stressed that the proposal for an expanded UN security council was intended to avoid disadvantaging existing members.

Mr John Major, the UK prime minister, said the qoestion of Japan's wish for a seat was one that needed to be taken "very gently."

Speaking shortly after his arrival in Tokyo for the Group of Seven summit, Mr Major said there were "lots of ramifications," not least the competing demands of other countries that would like to be permanent members of the security council.

Discussions on the issue would last for some time, he predicted.

Japanese officials have taken a low key approach to winning support for their campaign. Mr Kabun Muto, the foreign minister, said that Japan wanted to make the security council more representative while maintaining its effectiveness in dealing with international disputes.

He said Japan wanted the restructuring of the security council to coincide with the United Nation's 50th anniversary in 1995.

Japan's claim to be ready to deal with the crises the security council addresses was undermined by it missing the deadline for responses to the UN consultation paper on the council's fnture. This was because different arms of the bureaucracy were at odds over how many seats the expanded council should have.

'Lack of leadership' hits Uruguay Round hopes

By David Gardner in Brussels

THE chances of concluding a Uruguay Round world trade reform deal are slipping away because "nobody is exerting the leadership to force this thing through," according to Mr Dean Kleckner, president of the American Farm Bureau, the US agricultural lobby.

Mr Kleckner, in Europe for talks with the EC Commission, French farm organisations and General Agreement on Tariffs and Trade officials in Geneva, said he had arrived with "a little better than 50/50" prognosis for the Round, but was leaving Brussels feeling the odds were now against a deal.

If the Round failed, he warned, "we are going to enter a period of trade wars, Gatt [dispute] panels... and more regional and bilateral trade deals," in which the US would turn its back on Europe.

Mr Kleckner had heen s strenuous lobbyist in the 18 months of negotiations leading up to last year's EC-US deal on farm trade and oilseeds subsidies, reached at Blair House in Washington and one of the foundation stones of any eventual Uruguay Round success.

The oilseeds agreement was ratified by the EC last month, hut French opposition to curbs on subsidised food exports has called into question the rest of the package, which is part of the Uruguay Round proper.

Mr Kleckner said he won assurances from senior Commission officials that the EC regarded the deal as indivisible. But he warned that if the Uruguay Round part of Blair House "is going to be renegotiated, oilseeds has to be renegotiated too. We didn't think that was a very good agreement at all."

NEWS: THE AMERICAS

PRD leader Cuauhtémoc Cárdenas (left) has lost ground to President Carlos Salinas' PRI party

Ruling party powers ahead in gubernatorial elections

By Damian Fraser in Mexico City

MEXICO'S ruling Institutional Revolutionary party (PRI) has won an overwhelming victory in elections for governor of the state of Mexico, the country's *most populous state and formerly* a region of opposition strength.

With counting almost completed the PRI had won 57.9 per cent of the vote, the centre-right Party of National Action 16.5 per cent, and the leftist Party of Democratic Revolntion 8.1 per cent.

Although hoth opposition parties complained of irregularities, the result is undoubtedly a blow to the PRD, whose leadar, Mr Cuauhtémoc Cárdenas, has declared his candidacy in next year's presidential election, when President *Carlos Salinas de Gortari* stands down. Mr Cárdenas carried the state in the 1988 presidential election, and in the 1990 gubernatorial election the PRD won 14 per cent of the vote.

The PRI also won a sweeping victory in the election for governor in the state of Nayarit, obtaining 57.7 per cent of the vote, against 27.5 per cent for the PRD, with nearly 90 per cent of the vote counted. Howaver, the PRD managed to win two of the 18 alections for state deputy.

While more peaceful than *elections in 1990*, the *opposition* described the State of Mexico poll as "unequal, inadequate and anti-democratic".

Apart from criticising the PRI's heavy spending and control of the electoral process, the opposition said the ruling party changed voter lists at the last moment.

Mexico City puts its property money where its slums are

Damian Fraser on an ambitious real estate development

ON THE western outskirts of Mexico City lies Latin America's largest and most amhitious real estate project. What a few years ago were slums, strip mines and rubbish dumps are soon to be sparkling corporate offices of some of Mexico's best-known companies – Televisa, Banca Serfin, Bimbo, and the subsidiaries of Goodyear, General Motors, Hewlett-Packard and Mercedes-Benz.

The $5bn-$10bn, 2,100-acre Santa Fe project, just outside the city's most exclusive residential neighbourhoods, is the brainchild of the Mexico City government. Once the poorest and most dangerous part of Mexico City, it is now the most striking symbol of what is fast becoming a property boom in ona of the world's largest cities.

After a decade of stagnation, Mexican developers are putting up new office blocks throughout the city – in the financial *district, in the fashionable* western part of the city and in the south, along the ring road.

According to Softec, a consultancy, some 575,892 sq m of top quality "AAA" office space is under construction, more than the existing stock of such space.

The growth has been fuelled by optimism about Mexico's economic prospects and the shortage of quality space. A sharp reduction in interest rates from 50 per cent or more a few years ago to less than 20 per cent has also enabled developers to raise the necessary finance. Construction, from accounting for less than 2 per cent of total bank loans, now represents more than 8 per cent.

What a few years ago were slums are soon to be sparkling offices

Mr Juan Enriquez Cabot, the city official in charge of the Santa Fe project, says: "If we do not change this city from a manufacturing to sarvice centre, there will not be enough jobs and the informal economy will take over. We have no option but to grow." Mexico City needs to create 100,000 johs a year just to *absorb new entrants into the* labour force.

But the boom is already raising fears of a bust, and vacancy rates have started to climb from about 1.2 per cent in 1991, to 7.6 per cent last year. "We hsve passed the peak," says Dionosio Sanchez, an executive with the Sare group, one of Mexico's biggest property developers. "The first thing we are going to see now is a reduction in prices."

Since 1988, Mexico City's top quality office rents have risen from an average of $20 a sq m to $40 last year – making them as much as double as, say, the equivalent in Los Angeles. But Mr Sanchez says rents have stabilised this year, and expects them to fall by 10 per cent or more in two years.

With the economy growing by just 2.6 per cent last year – much slower than optimistic developers hoped – demand has failed to keep up with supply. "Just about all developers are betting the North American Free Trade Agreement will be passed," says Mr Sanchez "and demand for quality space will grow." If the agreement is scuttled, he says, some developers could be in difficulty.

The Santa Fe project is the largest of the score of office block developments. Managed by the city government, it has already received some $2bn of private-sector investment, and another $8bn is expected over the next six to eight years.

By the end of the year stage one will be complete, and Latin America's largest shopping centre, of some 200,000 sq m, and 10 state-of-the art corporate offices will be open.

Elsewhere the city has given the green light to five new giant five-star hotels, including a 55-storey Ritz Carlton hotel and office block that will be Mexico City's tallest building. The state trade bank is helping to finance the $100m refurbishment of the huge but unoccupied World Trade Centre, which was started in the 1960s to be ready for the 1968 Olympics but was never completed.

The construction boom is not uncontroversial. Mexico City accounts for some 37 per cent of Mexico's gross domestic product and suffers from some of the world's worst pollution, houses the country's oldest and most inefficient industrial stock and is running precariously short of water.

Mr Homero *Aridjis, a poet* and environmentalist who has just written a novel on the future of Mexico City, says: "It doesn't matter whether people work in industries, on the street or in universities, they all pollute. What we need is decentralisation and a stabilisation of population."

Ecuador boost from World Bank

By Raymond Colitt in Quito

THE WORLD BANK has approved a $75m credit to "reactivate" Ecuador's private sector, particularly agriculture and construction. The aim is to invest in labour-intensive but profitable industries, said government officials.

Mr Leonardo Stagg, director of tha Ecuadorian National Finance Corporation, said the $75m credit was part of a "$200m joint loan from the Inter-American Development Bank, the Andean Corporation for Development and the World Bank."

Mr Shahid Husain, World Bank vice president for Latin America and the Caribbean, said the World Bank was committed to support programmes of economic growth and development in countries such as Ecuador, which had engaged in serious and responsible projects.

As well as providing desperately needed funds to revitalise the economy, the new credit is aimed at boosting confidence among foreign investors.

"This is a clear indication of the confidence that international credit institutions now have in Ecuador," emphasised President Sixto Durán Ballén. The new credit comes as Ecuador is struggling to renegotiate $6.5bn in commercial debt with creditor banks.

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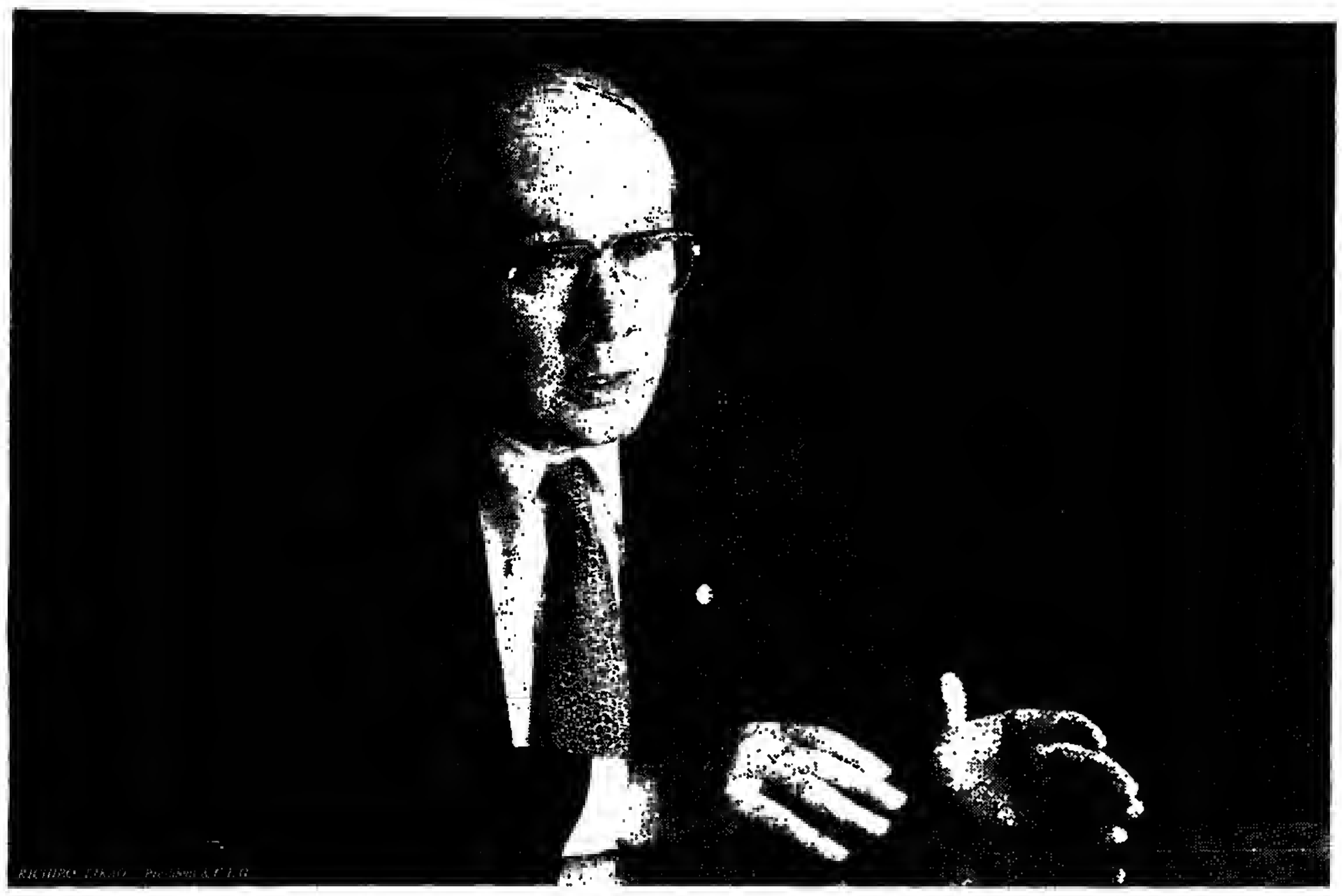

The Nikko Securities Co., Ltd., celebrates the 75th anniversary of its foundation on July 7, 1993. To mark this occasion, Kichiro Takao, president and chief executive officer of Nikko Securities, gives his views on the Japanese stock market and talks about the future prospects and challenges facing Nikko.

——**What is your view of the Japanese stock market?**

The stock market has firmly established itself as an integral part of the Japanese economy. I am confident that it will also play an increasingly important role in both the domestic and international economies. I am looking forward to seeing the market develop and grow, and Nikko is mindful of its responsibility and role in promoting this.

During the past three years of contraction, it has become more apparent that the market does not exist only to serve a handful of investors and issuers. We in the securities industry are obliged to enhance the liquidity, transparency and fairness of the market.

——**What is your management strategy for Nikko?**

In terms of the market environment, I think that 1993 is a symbolic year, given the fact that we have to compete directly with banks now that they have been allowed to participate in the securities business. Next year, the broking commission for large-lot stock transactions is also scheduled to be deregulated.

In order to respond to changing market conditions, we have to continue making our operations more cost-effective and more capable of generating increased earnings growth. At the same time, we will vigorously improve our financial engineering and innovation skills so that we will be able to strengthen further our sales capabilities.

Above all, our No. 1 priority remains to maximise customer satisfaction at both the retail and wholesale levels. I believe that continuous cost-cutting efforts are the correct approach to enable us to provide our customers with better quality services. In this connection, we will continue to review and consolidate our branch network with a view to serving our customers in a more cost-effective way by taking advantage of advances in communications. Similarly, we will have to streamline the company so as to make it capable of functioning more efficiently with less personnel. I would like to emphasise again that the ongoing management objective is to improve the quality of our services. What we are doing is far from retrenchment. Indeed, we are increasing our strategic investment and strengthening our position in the key markets in which we operate.

——**Is Nikko prepared to face the ever-growing competition in Japan and abroad?**

Definitely, yes. We welcome the liberalisation of markets and the presence of new competitors–like banks in the Japanese securities market through their subsidiaries–because we expect such developments to create more business opportunities in the given markets. Of course, they may cause some hard times for us in the short term. But if you have the experience and the expertise, you will become more competitive in the long run.

——**How do you reshape Nikko beyond the current difficult time facing the whole of the Japanese securities industry?**

It is true that the securities industry is now tackling a host of problems which have been overlooked in recent years. This restructuring process, I believe, is giving the industry the best opportunity to review its activities and make a leap forward.

As for Nikko, we embarked on a major three-year restructuring programme in September 1992. We will continue to implement this programme even if the Tokyo stock market becomes buoyant, as our foremost goal is to make the company less vulnerable to market fluctuations. In other words, the management of Nikko will be strengthened by our restructuring programme and we expect to become even more competitive.

——**What is Nikko's strategy overseas?**

We will continue to strengthen our presence in the international marketplace. I would never think of reducing Nikko's presence overseas. Any company that trims its overseas operations would be regarded as a regional firm. That will never be the case for us.

On the equity side, Nikko has a reputation as one of the major equity houses in the world. Indeed, we have been actively involved in a number of global equity offerings. However, being strong in equities alone is not enough. In the Eurobond league table of all currencies, Nikko ranked 11th in 1992. We now have to work harder to become a really powerful international bond house.

As part of this strategy, we are committed to strengthening our position in the Japanese bond market. For instance, we have been very active in underwriting Japanese government bonds and lead managing utilities' bonds issued by Japanese electric power companies. In the past three years, our track record in these sectors has been impressive. We are particularly proud of becoming the lead manager for the City of New York's first Samurai bond issue.

This year, we have been more active–through our London subsidiary–in underwriting straight bond flotations by non-Japanese issuers. The London subsidiary is increasing its underwriting activities, including the underwriting of a yen-denominated global issue of the World Bank, among others.

I do not deny that we have been more of a yen-oriented bond house to date. But we are now moving forward to become a major player in the international bond market capable of handling all other major currencies.

In addition to our activities in Europe and North America, we are well positioned to serve customers in the fast-growing economies of Asia in the fields of both funding and asset management. Furthermore, Japanese institutional investors are showing interest in Asian equities. As a result, it is important for us to allocate a considerable amount of resources to our Asian operations.

These are the challenges and opportunities facing Nikko in the 1990s. I am confident we will respond positively to them.

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Nigerian military offers role to parties

By Paul Adams in Lagos

NIGERIA'S military government yesterday offered the two civilian political parties e role in an interim national government in a deal that would involve dissolving all democratic institutions.

President Ibrahim Babangida proposed the deal as an alternative to holding fresh elections at the end of July.

This apparent attempt to meet the deadline for ending military rule on August 27 without confirming the victory of Mr Moshood Abiola of the Social Democratic party in the June polls may exacerbate the civilian protest movement which has paralysed most economic activity in Lagos so far this week. Furthermore, it would not meet conditions for restoring aid suspended by donor countries last week.

Gen Babangida said he found the two army-created parties, the SDP and the National Republican Convention (NRC),"polls apart" when they met on Monday night.

The SDP stood by its rejection of fresh elections by the end of July with new candidates, which the NRC would support. The senior candidates who were banned during the previous presidential campaign last October have also refused to stand again.

The president has given the two parties until tomorrow to consider the options. If they accept the national government proposal, all the elected civilian arms of government are likely to be dissolved, including local councils, state govarnors and the House of Assembly and the two parties could also be scrapped.

According to a state radio broadcast yesterday Gen Babangida said the proposed national government would not include him and he urged the parties to adopt the plan in the national interest, which was "to achieve a termination of the military regime by August 27". A presidential spokesman said that the armed forces would bave no role in in the government.

The first organised civilian protest against tbe military government's manipulation of the electoral system is finding strong support in Lagos.

Japanese executives sacked in bribery probe

By Robert Thomson in Tokyo

THREE EXECUTIVES at a leading Japanese construction company, Hazama, were stripped of their posts yesterday after having been arrested as part of a public prosecutors' office investigation into the alleged bribery of a regional mayor.

The dismissal of Hazama's chairman, president and senior managing director by its board came as fresh controversy arose over requests by Mr Yoshiro Hayashi, finance minister, to banks for funds to fight a general election on July 18.

Several business leaders have criticised Mr Hayashi's requests to the banks, and Mr Tadashi Okuda, the chairman of the federation of bankers' associations, was forced to defend the industry's separate provision of Y10bn (£60.7m) in loans to the LDP election campaign.

Mr Okuda said the loans, from eight commercial banks, were justified as the LDP was a party that would maintain a "parliamentary democracy and a free economy". However, he warned it would be an abuse of position for Mr Hayashi to expect increased funding because he had become finance minister.

The requests by Mr Hayashi have been queried by the Keidanren, the federation of economic organisations, which said they could lead to "misunderstandings".

Meanwhile, the Japan Association of Corporate Executives yesterday said companies should consider a cut in LDP donations to release funds for new parties. Official donations to the LDP are estimated at Y13bn a year, but unofficial and illegal donations are thought to be many times that figure.

In the Hazama case, prosecutors continue to question Mr Toru Ishii, mayor of Sendai, in the north, alleged to have received Y100m from four construction companies in the expectation they would be hired for public works projects.

Business backing slips away from ruling party

Charles Leadbeater examines growing divisions of interest among the LDP's corporate donors

選挙 Elections 1993

THE divisions that have split Japan's ruling Liberal Democratic party are working their way through the party's bedrock, its business support. Traditionel LDP supporters in industries such as construction and machinery regard the recent split in the party's ranks as e disaster.

Mr Takeshi Kaname, managing director of Yamazaki Mazak, the leading machine tool manufacturer, remarked: "The divisions are terrible, nothing but bad news."

Yet he is far from being in a majority. Business executives from newer industries such as electronics and cars, which are more dependent on international trade, say they support political reforms which could strengthen new parties.

Mr Takeshi Nagano, chairman of the Federation of Employers' Associations, believes the new parties created by breakaways from the LDP could bring benefits to business, partly by displacing the Socialist opposition. Commenting on the Japan Renewal party led by Mr Tsutomu Hata, the former finance minister, Mr Nagano said: "I would like to see the new party become one wing of e two-party conservative political set up."

These divisions came to a head last week when the heads of Japan's four largest employer federations held a hastily convened summit.

They decided to review their relationship with the LDP after the election. Business may fund the new conservative parties if they emerge from the poll strong enough to offer a durable alternative to the LDP.

At first sight Japanese industry's interests in fostering e challenge to the LDP seem perverse. Business has done extremely well from LDP policies over the past three decades which have been designed to favour it often et the expense of consumers. For instance, Japan still lacks a basic product liability laws common in other countries.

Mr Hata's new party is conservative but it claims to champion the rights of consumers and plans to come to power in coalition with the Socialist opposition.

Many business leaders believe tbe LDP's political dominance is an anachronism inherited from the cold war era when Japanese industry was developing with the help of the government's protection.

Mr Ryuzaburo Kaku, chairman of Cannon, the camera company, explained: "The old relationships are breaking up. In the old days when Japan set out to catch up with the west it made sense for business to build close relationships with political parties. But now Japan is an economic superpower and the cold war threat it gone. We no longer have to contribute to the LDP to protect the economy."

But perhaps the most pressing reason for business reconsidering its links with the LDP is the way political corruption tarnishes the image of business

Executives from international companies believe Japan's political institutions are ill-equipped to guide Japan to a larger world role. They also complained the centralisation of bureaucratic power in Tokyo handicaps them with unnecessary regulations et home.

A senior official of the Keidanren, the largest employers' federation, explained: "Japan needs stronger, more enlivened politics to open debate on how Japan should fulfil a large international role. We just do not debate these issues et the moment. We need more political openness." He went on: "We want decentralisation et home so that bureaucrats in Tokyo have less power to set detailed regulations in local areas. If a business wants to do something – extend a road or build a factory extension – they often have to apply to Tokyo first. This creates huge bottlenecks."

The official concluded: "The development of two competing parties, a conservative party and e more liberal, consumer-oriented, internationalist party, is a pert of Japan becoming more mature."

This developing division in politics reflects a similar trend within industry. The LDP has held together a very wide coalition of business support stretching from domestic farmers and small businesses, to large high-technology manufacturing companies exporting 80 per cent of their output.

It is becoming increasingly hard for the party to satisfy both wings of its business coalition. Manufacturing exporters' interest in free trade is increasingly et odds with the protection of rice farmers, for which Japan is regularly criticised by its trading partners.

Heavy industries such as steel and chemicals, which benefit from traditional government public building programmes designed to boost the flagging economy, are at odds with retailers and consumer goods makers who want a tax cut to revive consumer spending in urban areas.

An imbalance in how industries wield political influence also favours domestically oriented sectors. Construction companies can target their financial support at politicians who will influence how public sector contracts are ewarded. However, consumer industries cannot target their political support in this way.

As e senior executive with a consumer electronics manufacturer explained: "We need to change general policies such as the retail laws and tax policies to help our business. That means changing the way politicians in general think, not just a few key people. That is why we favour more political debate because that is the only way to get different policies discussed."

But perhaps the most pressing reason for business reconsidering links with the LDP is the way the political corruption tarnishes the image of business.

This is already having an impact on the LDP's finances. The party had hoped to borrow Y25bn (£155m) from a syndicate of large banks to finance its election campaign. The banks trimmed that to Y10bn because they did not want to be seen bankrolling the LDP.

Even the construction industry federation last week adopted tougher guidelines to limit political donations by member companies.

UN report calls for new policies on migration

By George Graham in Washington

NEW policies are needed to cope witb a rising tide of migration, both from the country to the city and across national borders, according to a new report from the United Nations Population Fund*.

The report warns that millions of migrants will create economic and social strains in countries of immigration and emigration. Governments will have to take new measures to reduce the pressure to migrate, such as improving education, health care and family planning in rural areas, but must also improve the capacity of urban areas to absorb new migrants.

"The only effective means of reducing migration pressure over the long term are to slow population growth, stimulate economic growth and job creation et bome, and to promote the development of tbe individual and the family as tbe basic economic and social unit," the report says.

But government policies aimed specifically at limiting rural-urban migration heve generally been unsuccessful, the report says, because they have not been linked to the country's overall trade, industrial and agricultural policies, which exert a mucb stronger pressure on population movement than regional strategies.

The report says that around 100m people, mostly in the developing world, are now international migrants. The number of asylum seekers and refugees is rising most rapidly, and may account for 20 per ceot of the total.

Money sent back by migrant workers to their home countries may now total $70bn a year, the report suggests – second in value only to the international oil trade.'

The global population, estimated at 5.57bn in 1993, is projected to rise to 6.25bn in the year 2000 and 10bn in 2050. While annual population growth is estimated at 1.7 per cent worldwide, this conceals a wide disparity, with Africa's growth rate at 3 per cent and Europe's at only 0.3 per cent.

Age structures are also diverging. In Africa, the number of people under 15 has tripled over the last 40 years, and the proportion has remained around 40 per cent; in Latin America the proportion of under 15s peaked in 1965-70 and bas been falling rapidly ever since, while in east Asia the proportion has dropped to 26 per cent.

The State of the World Population: UNFPA, 220 East 42nd St, New York NY 10017.

Moslem prisoners enter e Cairo military court yesterday where they are on trial for membership of an extremist group

Katyusha rockets fired into northern Israel

A NUMBER of Katyusha rockets fired from Lebanon slammed into northern Israel early on Tuesday, causing light damage, security sources said, Reuter reports from Jerusalem.

Rockets landed in Israel's western Galilee and also in Lebanon in Israel's self-styled buffer security zone for repelling guerrilla attacks. No one was injured, the sources said, adding that Israeli troops returned fire.

Israeli soldiers had clashed with guerrillas in Lebanon on Monday. Lebanese security sources said two people, one of them a six-month-old baby, died in an Israeli retaliatory attack on guerrilla targets in Lebanon.

Israeli residents had braced late on Monday for possible guerrilla Katyusha rocket attacks in response to the clash. Israeli security sources said pro-Iranian guerrillas ambushed an Israeli patrol earlier on Monday, wounding one soldier on the edge of the security zone.

Hizbollah fighters also attacked a position beld by Israeli-backed militiamen in Toumat Niha.

• Israeli military censors made deletions from the report.

NEWS: INTERNATIONAL

World Development Report urges greater emphasis on cost-effective public health services

Healthcare should go 'back to basics'

By Michael Prowse in Washington

DEVELOPING countries could reduce the burden of disease by up to a third if they spent less on high-tech medicine and more on basic public health and clinical services for the rural poor, the World Bank says in its latest World Development Report.

The report, published today, says the high incidence of disease and disability is caused as much by the poor allocation of existing resources as by lack of funds. In some countries, a single teaching hospital catering mainly for the affluent can absorb 20 per cent or more of the national healthcare budget.

The report urges poor and middle income countries to invest in a minimum healthcare package consisting of routine public health measures and a few essential clinical services.

Such services, the report adds, could be provided cheaply by local clinics and district hospitals and would not need expensive equipment or highly-trained specialist physicians.

On public health, the report suggests the most cost-effective measures would include an expansion of immunisation services for children, school-based health services, campaigns to reduce excessive levels of smoking and alcohol consumption, the provision of more information about nutrition and family planning, and efforts to prevent the spread of Aids.

Clinical services should include at least prenatal and delivery care, family planning, drug therapy to control tuberculosis, care for serious childhood diseases such as diarrheal disorders, and simple treatments for sexually-transmitted diseases, the report says.

Hospital-based emergency care, for example for fractures, should be provided depending on day-to-day capacity and availability of resources.

In the poorest countries, the cost of this minimum package of services would be about $12 per person a year, or just over 3 per cent of per capita incomes. Bank estimates indicate such a modest investment could reduce the overall burden of disease by more than 30 per cent.

In middle income countries, the minimum package would cost about $22 per person or roughly 1 per cent of per capita incomes. The introduction of such a package could reduce the burden of disease by about 15 per cent, the report says.

Adopting the package in all developing countries would require a quadrupling of expenditure on public health, from about $5bn to $20bn a year, and a doubling of spending on essential clinical services from about $20bn to $40bn.

In middle income countries, where public expenditure on healthcare is already about $60 per person a year, the package could be financed out of existing resources provided the political will could be found to reduce existing spending on less cost-effective discretionary services, such as heart surgery.

In the poorest countries public spending on healthcare is typically only about $6 per person a year. The World Bank's suggested minimum package would thus require a substantial increase in spending by governments, donors and individual patients, as well as a redirection of the healthcare budget from specialised services and facilities for the affluent.

Such measures would work best if accompanied by broader efforts to reduce household poverty and improve educational standards, the report says.

Studies show that people with more schooling seek and utilise health information more effectively than those with little schooling.

"Education of girls and women is particularly beneficial to household health because it is largely women who buy and prepare food, maintain a clean home, care for children and the elderly, and initiate contacts with the health system," the report notes.

The bank also emphasises the importance of promoting diversity and competition in the supply of health services. In the short-term, the report notes that reforms in drug procurement offer the greatest efficiency gains.

Governments that hava introduced competition in drug procurement and switched from brand name to generic drugs have achieved savings of between 40 and 60 per cent.

More generally, developing countries need to encourage competition between public and private providers of health services.

"The private sector already serves a large and diverse clientele in developing countries and often delivers services of higher quality without the long lines and inadequate supplies frequently found in government facilities."

But it warns that the tendency for profit-seeking private physicians to prescribe excessive levels of treatment needs to be countered by encouraging a shift from fee-for-service medicine to pre-paid coverage, for example through health maintenance organisation.

The report says developing coutnries have made great strides in improving health conditions. In the past four decadas, life expectancy at birth has risen from 40 years to 63 years and the number of children dying before their fifth birthday has dropped from nearly three in 10 to one in 10.

However, child mortality rates remain about 10 times as high as in the richest countries and maternal mortality rates can be up to 30 times as high as in industrialised countries.

In the past 6 years, the bank has quadrupled to $1.5bn a year its lending for healthcare services in poor countries. If diseases such as Aids and tuberculosis are to be controlled other donors and development institutions need to put greater emphasis on supporting cost-effective health services, it says.

The report recommends that the share of official assistance going to healthcare be raised from 6 per cent to 9 per a year, or by about $2bn.

● *Investing in health. The 1993 World Development Report is available from The World Bank, 1818 H Street, N.W. Washington D.C. 20433.*

Editorial comment, Page 13

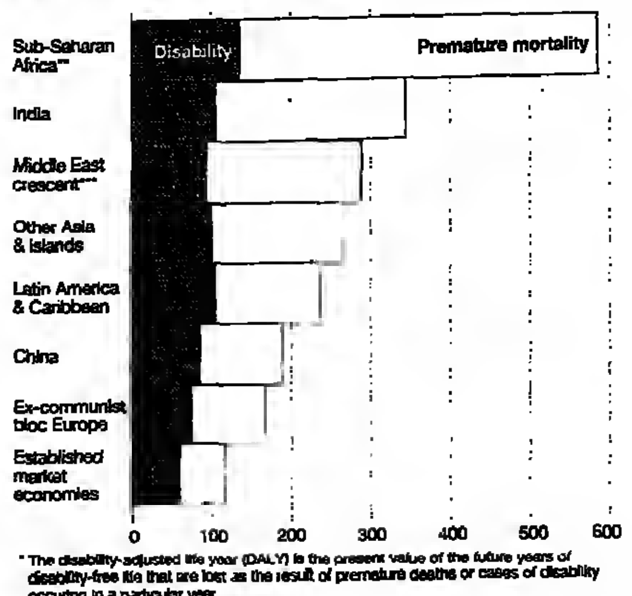
Financial flows to developing countries rose 23 per cent in 1992 to a record $176bn due to an explosion in bank lending, the Organisation for Economic Co-operation and Development said yesterday, Reuter reports from Paris.

With direct investment also rising, private money flows reached $99.8bn and exceeded official aid for the first time since 1983, the OECD's development assistance committee said in an annual report. Despite budget constraints, the volume of grants and soft loans rose 1.1 per per cent in real terms to $60.8bn. The US was the biggest donor in money terms, providing $11.7bn, followed by Japan with $11.1bn, France with $8.3bn and Germany $7.6bn. Foreign direct investment grew by over $4bn to nearly $31bn.

The burden of disease

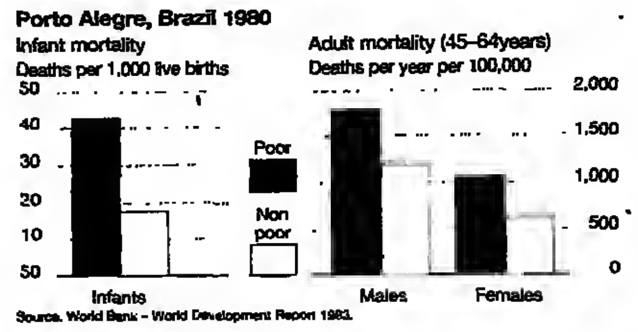
Attributable to premature mortality and disability by region

(DALYs* lost per 1,000 population, 1990)



* The disability-adjusted life year (DALY) is the present value of the future years of disability-free life that are lost as the result of premature deaths or cases of disability occuring in a particular year.
** Includes South Africa & Madagascar.
*** The group of economies extending across North Africa through the Middle East to the Asian republics of the former Soviet Union and including Israel, Malta, Pakistan & Turkey.

Porto Alegre, Brazil 1980



Source. World Bank – World Development Report 1993.

South African violence escalates

'We found the dogs and are burning them'

By Rich Mkhondo of Reuters in Kathlehong

THE SMELL of roasting human flesh hung in the air. A crowd of 20 with spears, axes and stones gathered round three burning bodies lying behind refuse bins.

"Sizitholile Izinja. Siyazitshisa," they chanted. "We found the dogs and we are burning them. Viva, ANC Viva."

Shots and screams indicated killings nearby but there was no sign of police

The victims – two men and a woman – were supporters of Mangosuthu Buthelezi's Zulu-based Inkatha Freedom party.

Shots and screams indicated more killings nearby. There was no sign of police.

I have lived in the township of Kathlehong for all my 36 years, but I have never seen such savagery as I witnessed on Monday night and yesterday morning as I went to rescue my sister, who was trapped in her home deep in the battle zone.

It is impossible to keep track of casualties in Kathlehong and nearby Thokoza. Police say 69 have died in three days. *Residents speak of hundreds.*

To get through the carnage I sometimes had to plead with armed youths, many no more than 16, who wanted everything – my car, money and petrol to make bombs.

"Tell the world there is also a Sarajevo here," said one when I said I was a journalist.

"It is a shame that we are made to go through this," my sister said when I reached her.

"This country boasts some of Africa's most enlightened leaders, but where are they when people die like flies?"

Violence exploded in the townships near Johannesburg following last Friday's announcement of a date for an election which is meant to liberate blacks from 350 years of white domination.

The immediate cause appears to have been the ambush of a funeral procession when it passed a hostel populated by Inkatha supporters on Saturday. But the political tensions building ahead of next April's elections are such that it needs only a spark to ignite a conflagration.

Black leaders such as the ANC's Nelson Mandela blame apartheid for much of the violence that has claimed 9,000 lives since the white minority government began dismantling racial segregation in 1990.

'Tell the world that there is also a Sarajevo here'

Residents say the police have done nothing to halt the killings. They abandon the townships as darkness falls, and only return at dawn to collect the bodies.

Controversial proposal to abolish right to trial by jury condemned by legal profession and civil rights groups

Commission puts 'justice first, efficiency second'

By Robert Rice, Legal Correspondent

THE ROYAL Commission on Criminal Justice put "justice first and efficiency second" before publishing its 352 detailed recommendations, according to its chairman Lord Runciman.

In attempting to find the right balance between prosecution and defence the commission has made a number of inroads into long established and fundamental rights of defendants – such as the right to elect trial by jury and the so-called right to silence.

The Royal Commission was set up in March 1991 to recommend changes in the criminal justice system to prevent miscarriages of justice.

Launching the commission's report yesterday, Lord Runciman made no bones of the fact that it had taken a much broader view of its remit: its recommendations were aimed as much at reducing the risk of the guilty being acquitted as trying to prevent the conviction of the innocent, he said.

Its most controversial recommendation is that the defendant'e right to elect trial by jury in cases which can either be tried by magistrates or at the Crown Court should be abolished. This is opposed by the legal profession and many senior judges including Lord Taylor, who has called it "an inalienable right stretching back to *Magna Carta*".

The commission was urged to adopt the proposal by Mrs Barbara Mills QC, Director of Public Prosecutions, as a way of saving costs and cutting delays in the system by limiting the number of cases tried in the Crown Court each year.

Of roughly 100,000 cases committed by magistrates to the Crown Court each year about 30,000 end up there because defendants elect jury trial. The average daily cost of e Crown Court trial in 1992-93 was £6,850. The daily costs of e trial *in the magistrates' court is* not known but is estimated at less than half that figure.

Lord Runciman denied the proposal was purely a cost-cutting measure. Most defendants opted for jury trial in the mistaken belief that they would either receive a fairer trial or e lighter sentence. Research showed that Crown Court judges were three times as likely to impose a custodial sentence and sentences were on average two-and-a-half times as long.

Lord Runciman said the commission's *recommendation* that magistrates should decide whether a case should go to the Crown Court would make the system "quicker, fairer and more consistent."

Defance lawyers dispute that. Lord Williams QC has said thet allowing magistrates to decide whether a defendant should be allowed trial hy jury according to factors such as tha defendant's reputation, would result in jury trial being allowed "for the vicar's wife but not for the postman or the betting-shop manager".

The commission has preserved the basic principle of the criminal justice system that a person is innocent until proven guilty by recommending that defendants should keep their right to remain silent at the police station.

The commission, however, has made significant in-roads into the right to silence, by recommending that defendants who intend to advance a defence at trial must tell the prosecution the substance of it before trial or risk edverse comment to the jury by the *prosecution or judge.*

The commission has also failed to recommend a requirement that confessions should be corroborated before they can be admissible as evidence at trial in spite of the fact that disputed confessions have been central to the overwhelming majority of recent miscarriages of justice. Research for the commission found that in nine out of 10 cases in which confessions were central there was corroborative evidence. In the remainder, the police could have produced it if necessary, but had chosen not to to save time and money.

The commission has chosen to recommend that judges *should* warn juries of the dangers of convicting on the basis of confession evidence alone.

But in doing so, many lawyers argue, it has missed the opportunity to bring about a fundamental shift in police attitudes to investigating crime which at present are directed strongly towards ob*taining* confessions rather than investigation of the facts.

Measures aimed directly at preventing and correcting alleged miscarriages of justice have been warmly welcomed. The establishment of an independant review authority to take over from the Home Office responsibility for investigating and referring suspect cases back to the Appeal Court is long overdue although concerns remain that the investigation of alleged miscarriages of justice will still be carried out by police.

Editorial Comment, Page 13

Calls by the Serious Fraud Office for US-style plea-bargaining to help reduce the number of controversial City "mega-trials" have been rejected by the Royal Commission.

The commission recommended a system of "sentence discounts" for defendants in all criminal proceedings willing to plead guilty before a trial starts.

The commission, however, stopped far short of agreeing with the SFO that prosecutors should have an active role in offering lower sentences to suspects to exchange for increased co-operation.

In his evidence, Mr George Staple, SFO director, had said the introduction of a formal system of plea bargaining was the single most effective way of shortening the process of investigating and prosecuting frand. That was rejected by the commission *as* too extreme a move. Lord Runciman emphasised the commission's view that sentencing issues should be determined by judges alone with prosecntors playing no role in deciding penalties.

The general reaction of lawyers was that the commission had addressed matters of detail rather than proposed radical reform and that its proposals, if implemented, would have only marginal impact on the problem of large fraud trials. That, as one lawyer commented, reflected the fact that frand trial reform was "bolted on" to the commission's agenda after it had already begun addressing its central concern over miscarriages of justice.

The recommendations made hy the commission for the investigation and prosecution of *fraud* inclnde:

- Greater disclosure by defence lawyers of their clients' case to the prosecution before the trial starts. Currently defence lawyers can say merely that they oppose the prosecution's case.
- Trial by jury should remain.
- The "Section 2" powers of the SFO, which remove the right to silence and compel witnesses to answer questions, should be extended to allow police officers, as well as SFO lawyers and accountants to carry out such interviews. Section 2 should also be extended and made available for use by the SFO when carrying out inquiries on behalf of investigators from other countries. Evidence gathered in Section 2 interviews should remain inadmissible on court, unless it contradicts evi*dence given* to court by a defendant.
- A feasibility study should be carried out into the possible merging of the SFO with the Fraud Investigation Group (FIG). The commission said there was no justification for FIG, which is part of the Crown Prosecution Service, not having the same Section 2 powers as the SFO.
- Time limits on fraud trials could be introduced.
- Judges should be able to outline the basic issues in a case to the jury at the start of a trial.
- Fraud defendants should be able to be able to plead guilty to a serious regulatory offence subject to the disciplinary sanctions of the Securities and Investments Board, rather than face criminal charges.

Court ruling strengthens grip on PPI affairs

By Sue Stewart in the Isle of Man and Andrew Jack in London

ADMINISTRATORS to Polly Peck International yesterday strengthened their grip over the group's affairs when a court in the Isle of Man dismissed an appeal claiming that control of an important holding company had been passed to Mr Asil Nadir, the fugitive businessman.

Mr Mentes Aziz and Mr Fahri Tunalier, directors of Voyager, a subsidiary of PPI based in the Isle of Man, the UK crown dependency, were appealing against a court ruling made last year.

In November the court ruled that e transfer of shares to Mr Nadir from Voyager for £8m in October 1990 was null and void. The meeting at which the share transfer was agreed had been improperly constituted because one of the company's British directors had not been told about it, the court had ruled.

Voyager had held the shares in A N Graphics, a Turkish printing and publishing company which Coopers and Lybrand, the administrators, says is also the beneficial owner of stakes in Vestel, Meyna, Unipac and Askan, PPI's most significant businesses in Turkey.

The decision will prove a blow to Mr Nadir's stated intention to regain control of his PPI companies, but Coopers and Lybrand still faces legal difficulties in asserting its ownership.

It said last night that there is still an appeal in the Turkish courts, which has ruled that the shares cannot be re-registered in the administrators' names until Mr Nadir has been repaid. But Coopers said there is no evidence that the £8m had ever been received from Mr Nadir in exchange for the A N Graphics shares.

Mr David Doyle, Manx advocate for Mr Aziz and Mr Tunalier, told yesterday's appeal court in the Isle of Man that the differences between the parties had been settled by agreement.

Following the agreement he had filed a motion with the court on June 29 seeking dismissal of the appeal, he said. Appeal deemsters – the judges – Benet Huytner and John Corrin accordingly dismissed the appeal and, as requested, made no order as to costs.

● Mr Asil Nadir attended six separate functions at Downing Street during the 1980s, Mr Major disclosed. But in a series of parliamentary answers the prima minister said that Mr Nadir had not been invited to No 10 since he replaced Lady Thatcher in November 1990.

Tension gathers pace in Ulster marching season

Tim Coone assesses the recriminations and violence blamed on Northern Ireland's Loyalist extremists

Sectarian tension in Northern Ireland, a permanent feature of the province's landscape, has escalated this week following the worst rioting since 1985 – when the Anglo-Irish accord was signed – and e devastating spate of terrorist bombings.

For three nights running, police and firemen have come under gun and bomb attack from rioting Loyalists and which has resulted in injuries to 12 civilians and two policemen. There have been 35 shooting incidents, 21 of them targeted at the police, 48 petrol bomb attacks, 70 malicious fires, and 63 vehicle hijacks.

The trigger for the violence was the decision last Thursday by the Royal Ulster Constabulary (RUC) to divert a march by the Orange Lodge – the fiercely pro-union Protestant faction – 150 yards away from a predominantly Catholic area in West Belfast.

A grenade, carried by a Loyalist paramilitary and apparently intended to be thrown at the police, exploded in the middle of the march, killing the man and injuring a score of passers-by. Rioting began after the man's funeral on Friday.

Unionist leaders, however, say tensions have been growing for some time in protestant communities. Mr Nigel Dodds, a Belfast city councillor for the Democratic Unionist Party (DUP), said: "There is a fear that the situation is not under *their control. There is a perception* that more money is now going into Republican areas than Loyalist ones, and that it is now harder for Protestants to get jobs than for Catholics".

The growing siege mentality among Loyalists has grown with the recent visit to West Belfast by Mrs Mary Robinson, president of Ireland, the talks between Mr John Hume the SDLP leader and Mr Gerry Adams, leader of Sinn Fein, the political wing of the IRA, and the failure to restart the round-table political talks pro*cess since last November.*

There has been a subsequent upsurge in Loyalist paramilitary activity. Twenty-nine civilians have died in terrorist attacks this year, most of them linked to Loyalist extremists, according to the RUC. The violence has prompted police to step up its patrols on Loyalist housing estates and it is this as much as anything which has apparently angered the Loyalist paramilitary leaders. At the weekend, the banned Ulster Freedom Fighters (UFF) claimed to have organised the *riots and warned the RUC* to stop "its repression of Loyalist paramilitaries".

The rerouting of the Orange Order march was seen as the last straw by some extremists. According to Mr Dodds "The (paramilitaries) would not have been on the streets if the parade had not been diverted".

He said that the march's rerouting was perceived as interference from Dublin.

An official at the Irish foreign ministry in Dublin admitted yesterday that the routing of Orange marches in the North "*is always a matter of concern* to the Irish government".

He said the Republic's concern is that the right to demonstrate should be balance against the "sensibilities" of local communities and "the maintenance of public order".

According to the RUC there are no plans for re-routing this coming weekend's marches – which mark the protestant victory at the Battle of the Boyne in 1690 when William of Orange frustrated attempts by James II to restore the British monarchy to catholicism. *Around 18 parades are due to* take place across the province.

For most Republicans the Orange marches are a provocative affirmation of Protestant supremacy in the province, especially when they are routed through predominantly Catholic areas. Protestants for their part are incensed by the flying of the Irish tricolour in Republican neighbourhoods.

So instead of rerouting marches this weekend, the RUC plans to have a heavy security presence at "flashpoints" such as the Lower Ormeau Road in Belfast where five Catholics were killed in February last year.

Whether this will prevent trouble remains to be seen. The appearance of grenade-toting paramilitaries on the marches ready to do battle with the police is not a good omen.

Firemen tackle a blaze on Monday in Newtownards, the Ulster town where 30 businesses were damaged and 19 people injured in a large explosion. In separate incidents reflecting the heightened terrorism campaign, police yesterday seized 2,000lbs of explosives in South Armagh and defused a 500lb bomb near Belfast

New car registrations show 'clear recovery' in market

By John Griffiths

THE UK motor industry finally acknowledged yesterday that "clear recovery" is under way in the UK car market, after reporting a strong rise in new car registrations during June.

The 11.07 *per cent year-on-*year increase was the eighth rise in the past 10 months and has convinced the industry that dealers, manufacturers and importers are moving out of one of the steepest car sales slumps on record.

The June increase lifted registrations for the first half of the year by 3.14 per cent, with most of the industry expecting a further acceleration in the second half of the year.

The UK statistics were released on the day that figures from the Brussels-based European Automobile Manufacturers' Association indicated a deepening of the sales crisis in other large EC markets.

The association estimates that sales fell in Italy by 30 per cent *last month, by 24 per cent* in Germany, 21 per cent in Spain and Italy, and by lesser amounts in other markets except Greece – which saw a 60 per cent fall.

The UK is alone among 17 west European states in recording sales growth. Sales in the EC overall were 17.5 per cent down in the first half of the year.

The gathering gloom on the Continent is damping some of the buoyancy of UK-based manufacturers, whose production gains – based on a rising UK market and a larger share for domestic producers – are increasingly offset by the downturn elsewhere in the EC.

Even so, UK car output in the first five months of this year was 9.1 per cent ahead of the same 1992 period; at 608,169, with May output the highest for that month in 16 years.

The industry continued to voice caution last night. "Because of June's proximity to the August 1 sales rush, it would be unwise to read too much into the size of the increase," said Mr Roger King, public affairs director of the Society of Motor Manufacturers and Traders, which issues the statistics.

London airports face curb on night flights

By David Owen

NEW NIGHT flying restrictions designed to cut noise at London's main airports – Heathrow, Gatwick and Stansted – are to come into effect from October.

The government announced *yesterday* that a *new quota* system based on how much noise different types of aircraft make would be introduced, replacing the current regime based on the number of aircraft movements.

Under the new system, the noisier the aircraft, the more its use at night will use up an airport's quota.

Separate regulations will ensure that noisier aircraft, such as the BAC 1-11 will be phased out within a decade.

The new system is to operate for five years. Announcing the move in a parliamentary written answer to Mr Toby Jessel, the Conservative MP, Mr John MacGregor, transport secretary, said he had tried to maintain a balance between the aviation industry and local people.

He said the new system would help to ensure those living near the airports could enjoy "a good night's sleep." The new regime would be "tough on industry" and was "a challenge to them to maintain progress at introducing quieter aircraft".

BAA, which runs all three airports, said the scheme struck "a reasonable balance between the needs of the local communities around the airports and the needs of the aviation industry".

Stena line orders fast ferries for Irish routes

By Richard Tomkins, Transport Correspondent

STENA Sealink Line, the Swedish-owned UK ferry operator, is to put the world's largest high-speed ferry into service on its Irish Sea route between Holyhead and Dun Laoghaire in spring 1995.

Stena, its parent company, has ordered two of the vessels from the Finnyards in Rauma, Finland, at a cost of about £130m. The second vessel, to be delivered a year later, will be made available for charter.

The ferries, called HSS (high-speed sea service), will be able to carry 1,500 passengers with 375 cars or 100 cars and 50 lorries.

The largest design at present in service, the £74m SeaCat operated by Hoverspeed on cross-Channel routes, takes 400 passengers and 80 cars.

Stena said the new ferries would travel at 40 knots and would be less sensitive to rough weather than smaller vessels.

P&O European Ferries, Stena Sealink's biggest rival on UK routes, said it continued to watch developments in high-speed ferries but was not yet convinced of their mechanical reliability or commercial viability.

Tories face damaging split after defeat on rail sell-off

By Alison Smith and David Owen

A DAMAGING split looked likely to emerge in the ruling Conservative party yesterday as government ministers launched a campaign to overturn the humiliating defeat on a central element of the plans to privatise British Rail.

The embarrassing setback on Monday, when the House of Lords – Britain's upper chamber – voted to allow BR to bid to run rail service franchises after privatisation, dogged Mr John Major as far as Tokyo where he is attending the G7 economic summit.

Pressed on how he planned to deal with the successful move by opposition and rebel Tories, the prime minister said it was "probable" that the government would try to reverse the decision. In the Commons, Labour exploited the government's discomfiture, as deputy leader Mrs Margaret Beckett urged ministers: "Why doesn't the government show some common sense for once and just admit they have got it wrong?"

Tory MPs who previously threatened revolt to win concessions from the government on issues such as rail cards, have taken heart from the Lords' decision.

The bill does not return to the Commons until the autumn, and at present ministers prefer to demonstrate their confidence by not rushing into negotiations with the earlier rail rebels such as Sir Keith Speed and Sir John Stanley.

A further sign of confidence was the department of transport's coolness on one possible area of compromise mentioned by Lord Caithness, government spokesman in the Lords, during the Lords' debate.

He said it would be permissible for BR to be a junior partner in a private consortium bidding for passenger franchises. Officials said yesterday that though allowable, it was not the government's intention that BR should be involved in this way. Ministers argue such a move would run counter to the logic of the measure which envisages teams of former BR employees effectively privatising BR routes by bidding for individual franchises.

They also point out BR will be tovolved to every bid anyway, since each route will remain in BR hands if the private bidders fail to offer a better deal.

Britain in brief

Settlement urged in EC rights case

The government could face retrospective claims from tens of thousands of public service workers who experienced a deterioration in pay and conditions when their jobs were contracted out to the private sector.

Mr Jack Dromey, a national secretary of the TGWU general union, told the union's conference yesterday that hundreds of test cases were being prepared and would go to court if the government rejected a general settlement.

The issue has arisen because of the European Community's Tupe legislation which protects the pay and conditions of workers in many cases of job transfer. Although Tupe has been part of British law since 1981 the government has only recently acknowledged it can apply to contracting out.

Mr Dromey said up to 25,000 workers to local and central government and the health service had their pay reduced before it was realised that they were protected by Tupe. Compensation could amount to tens of millions of pounds and Mr Dromey said the government faced the prospect of spending more than that in legal fees if it did not agree a settlement. "The government has a choice over Tupe – an expensive decade of chaos or e settlement," ha said.

Receiverships down by 30%

The number of receiverships in England, Wales and Scotland fell by more than 30 per cent to 663 in the second quarter of the year making the third consecutive quarterly decline, according to figures published yesterday by accountants KPMG Peat Marwick.

Jobs for Ulster

Desmond and Sons, the Ulster-owned clothing company, announced plans to create 600 jobs in Northern Ireland.

Tbe £24m plan is being backed by tbe Industrial Development Board and will create 400 jobs and a new factory at Magherafelt in south Londonderry. It is a timely investment since the town was devastated by an IRA bomb earlier this year and it suffered the loss of two big factories last year. The investment programme will also add 200 jobs and improve tbe efficiency of Desmond's existing Northern Ireland plants. The company currently employs 2,700 people in 11 factories across the province.

Hospital buildings row

Fresh controversy about the closure of some of London's hospitals has erupted after a firm of property advisers *described them as* "the London development sites of the 90s".

Save, a conservation group, described comments by Knight Frank & Rutley, chartered surveyors, about development opportunities presented by hospital closures as "outrageous". It particularly criticised a description of the site occupied by St Thomas's opposite the Houses of Parliament as "a prestigious residential development site with its unique picture postcard view".

House price fall

UK house prices fell by 1.1 per cent in June, the second monthly fall in succession according to figures published yesterday by Halifax, Britain's biggest building society.

Clearance for anti-ulcer drug

SmithKline Beecham, the Anglo-American healthcare group, has been given provisional clearance to sell its best-selling prescription medicine, Tagamet, without a prescription in UK chemists.

SB expects to be able to market the drug by the end of the year. Tagamet is an anti-ulcer treatment which had worldwide sales last year of more than $1bn.

"This is tremendous news for SB especially given that Tagamet's patents expire in the US next year," said Mr Paul Krikler, analyst at Goldman Sachs. "It should add weight to the company's US application to switch Tagamet's status from prescription only to over the counter".

MANAGEMENT

In what could be a model for the group, IBM UK is pioneering a new regime, writes **Alan Cane**

The shake-up of Big Blue's army

Jacques Maisonrouge, president of IBM's operations outside the US in the 1970s, once provoked enthusiastic applause during a conference by misreading the phrase "IBM teams" as "IBM troops".

His slip accurately conveyed the flavour of the traditional IBM marketing machine; a well-drilled army of blue-suited, white-shirted technocrats rigidly controlled from the centre with power in the hands of a tiny elite.

Then IBM was the largest and most successful computer manufacturer in the world; today, hampered by an overweight bureaucracy which has dragged the company into two years of losses as new technology forces down hardware prices, "Big Blue" is seeking new ways to restore vigour and agility. Its command structure is being dismembered, its foot soldiers "empowered" to decide which wars to fight and which weapons to use.

The battleground for some of the most important of these changes is IBM UK. There are two main reasons. First, recession struck the UK earlier than other European countries and the UK company has been particularly hard hit over the past two years: in 1992 it lost £616m on sales of £3.75m. Second, competition in the UK computer market is the world's fiercest. If a solution works in the UK, the argument goes, there is a good chance it can be exported elsewhere.

The latest move, announced last week, is the division of the UK home sales operation in a federation of some 30 separate businesses, each with the power to fix its prices and settle its costs. It is a microcosm of the grander plan, devised by IBM's former chief executive John Akers, to split IBM globally into a loose network of separate business units.

There will be three kinds of businesses in the UK: vertical industries such as banking or retailing; product sectors including enterprise (mainframe) systems or personal systems; and the computing services businesses, management consultancy and hardware maintenance. Some will employ only 50 people, others 500 or more.

What practical difference will the new structure make? In the past, business managers were responsible for their revenues and their share of corporate costs. If a customer was unhappy with a product or service, the manager had to go elsewhere in the company to find a solution. There were endless arguments as salesmen fought their customers' corner against the bureaucracy.

In the new regime, business managers alone will be responsible for their profits, costs and their customers' satisfaction. They will be measured by five criteria: customer satisfaction, employee morale (both measured by opinion surveys) profits, market share and cash generation.

The vertical industry businesses can buy hardware and software from the IBM product businesses or from elsewhere if they believe a competitor's equipment can do the job better.

There will be no monthly reviews. The centre will operate little, if any, control unless a business starts to go off the rails. According to IBM: "The creation of a business federation will give more ownership and accountability to business managers, enabling the company to return to profit more quickly."

It will allow a variety of market approaches each with its own cost structure. A mainframe sale to the banking sector could be made, for example, by the banking business unit, by the enterprise systems business unit or by a specialised sales team within enterprise systems.

The move, codenamed Galaxy, is the latest phase of the so-called Temple Plan, a blueprint for recovery announced in the middle of 1991 by Nick Temple, chief executive of IBM UK.

The first phases of the plan have been implemented over the past two years. The structure of the company has been changed radically. Eight layers of management have been stripped down to four. A series of early retirement and voluntary redundancy programmes will have reduced staff numbers from 18,600 in 1985 to just over 11,000 by the end of the summer. Some 80 per cent of the workforce now come face to face with customers, compared with only 45 per cent two years ago.

Business managers alone will be responsible for profits, costs and customer satisfaction

Galaxy, however, which will put astonishing power and authority in the hands of managers more used to taking orders than giving them, will give the Temple Plan its stiffest test.

It will give business managers control over, first, prices. Javaid Aziz, IBM UK marketing manager, explains: "When 10 years ago you sold a mainframe computer to a banker, an insurer or a retailer, it took the same amount of resource to make the sale, to install the machine and get it working. You could list your prices.

"Now the environment has changed. The hardware is secondary to the requirement that the overall system does the job properly and the people on the ground understand best how to pull together and price the necessary hardware, software and services. If you try to price deals like that centrally, you will have a disaster because the people there do not have sufficient judgment of the market to be able to price accurately".

Second, business managers will have control over their costs. Aziz says: "You cannot have a truly customer-responsive organisation where the cost structure is determined centrally. If you want your business managers to own their place in the market, to own their resources and deliver you a profit, you have to move cost control from the centre to the businesses.

"In March this year only 20 per cent of costs were determined by our business managers. We intend to move to a situation where they determine 95 per cent of their costs. In this way, you get rid of the final vestiges of a command and control structure and culture." Because only 5 per cent of costs will be determined centrally, there is no need for a large central bureaucracy. The 2,500 headquarters' staff employed two years ago are being cut to 100 people who will manage the central holding company.

Headquarters departments such as finance, personnel, distribution and corporate affairs are being spun out as service units. The businesses are empowered to buy their services if they wish but are not required to do so; they could, for example, buy a pension plan from an outside supplier. Service units which fail to attract adequate business, however, will have no reason to exist.

Plans like Galaxy are fine in theory but the significant change, as Aziz accepts, will have to be in Big Blue's corporate mind. It remains to be seen if the leopard can change its spots.

The plan, needless to say, has the approval of IBM's new chairman and chief executive, Louis Gerstner. Temple and Aziz presented the details to him during his visit to the UK in April. He will undoubtedly be watching the UK experiment with keen interest. He is still enjoying his "honeymoon" as chief executive, but analysts are already beginning to ask when he will be ready to present his recovery plan for the company as a whole.

Aziz claims that the UK company has already gained several in points market share in mainframes and that business expenses fell 50 per cent between 1991 and 1993 – roughly in line with a decline in staff from 10,500 to 6,500 over the same period.

This year he hopes to keep revenues in line with last year, despite the declining cost of hardware. He also hopes to return to profit: "You have to get the management systems right, the business measurements right and there has to be trust and teamwork. These are the pillars on which you build changes like these," he says.

Stretched to the limit: Nick Temple, IBM UK chief executive and author of the Temple Plan, the company's blueprint for recovery

A Catholic view of business ethics

By Hugo Dixon

The aristocracy of the pre-capitalist era had well-defined ideals, which provided the basis for codes of ethics that guided their behaviour. But modern businesspeople still lack ideals, a good 200 years after the birth of capitalism.

That is the view of Michael Novak, the US neo-conservative Catholic philosopher. In last month's Hayek memorial lecture, hosted by the Institute of Economic Affairs, the London free-market think tank, he set out to remedy this deficiency.

According to Novak, much of what goes by the name of business ethics is abstract and uninspiring because it does not address the ideals and principles that relate specifically to business as a form of human activity. What he calls "kitchen-variety" moral standards, such as honesty, fairness and sensitivity – which apply to other walks of human life as much as to business – command most of the attention.

One consequence is a lack of confidence among businesspeople when it comes to singing the praises of their way of life. "We tend to think that business lacks ideals, is merely utilitarian, concerned mainly with vulgar profit and ranks considerably below a humanistic or Christian vocation. Businessmen do not have the language to talk about the ideals of business."

Novak aims to fill this gap by identifying not so much a code of business ethics as an ethic for business. "What way of life do I wish to choose for myself, as I commit the larger part of my waking hours to this specific practical vocation? What are the ideals inherent in this vocation?"

His answer is that the business vocation has two ideals: creativity and community. For Novak, businesspeople are motivated not merely by a desire to make profits but by the "romance and risk of enterprise". He says: "Most academic writers seem never to have imagined the sheer fun and creative pleasure involved in bringing a new business to birth. Such creativity has the stamp of a distinctive personality all over it."

He argues that business creativity is the fundamental source of wealth creation. This, he says, explains why nations as rich in natural resources such as Brazil remain poor, while others with almost no natural resources – such as Japan – become among the richest in the world.

Novak's second ideal for business – community – seems on the surface rather odd, given the widespread perception that capitalism rests on individualism. But Novak rejects this: "Capitalism is not about individualism. It is about a creative form of community."

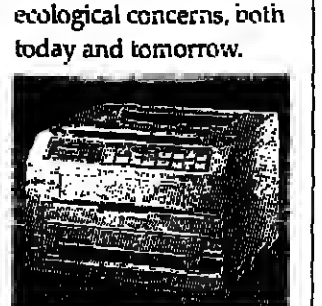
The form of community particular to capitalism is the private business corporation, which Novak argues is capitalism's main institutional contribution to the human race. It is a community, one of whose main social purposes is to "make a profit, that is, to create new wealth beyond the wealth that existed before it came into being".

Novak dubs his approach to business "the Catholic ethic and the spirit of capitalism", making a deliberate contrasting with the approach taken by Max Weber in his book, The Protestant Ethic and the Spirit of Capitalism. Where Weber saw the roots of capitalism in the Protestants' self-denial, asceticism and sense of the depravity of natural man, Novak stresses "invention, serendipity, surprise and the sort of romance that leads many to risk their shirts". These, he says, are characteristic of the Catholic approach to creation.

Novak's ideal of creative community addresses essential aspects of human psychology which are left out by the crude picture of economic man as concerned about nothing more than how to maximise profits.

The argument's main weakness is that it slides over the real difficulties in marrying creativity and community, which often pull in opposite directions. Many creative individuals give little attention to their communities, while many communities – such as the large institutional bureaucracies of the modern world – stifle creativity.

Novak says that a free society must "examine all its institutions to see whether they are promoting or repressing human creativity". Perhaps one should not expect more practical answers from a philosopher. Finding them is the challenge of today's businesspeople.



BUSINESS AND THE ENVIRONMENT

Debate grows over timber

Peter Knight on the campaign for 'green labels' on wood products

Confusion over the environmental acceptability of timber and wood products could soon be resolved as producers and consumers near an agreement on the need for a system to label wood from countries which take their ecological responsibilities seriously.

The evidence of the last two months promises a remarkable advance on the weak code of practice for the conservation, management and use of forests, produced at last year's Earth Summit in Rio de Janeiro.

The International Tropical Timber Organisation – which has representatives from producer and consumer nations, as well as the timber trade – agreed at its annual meeting in Malaysia in May to research the possibilities of using labels to control the trade.

"I'm amazed that this is happening," says Francis Sullivan, forest conservation officer of the World Wide Fund for Nature (WWF) in the UK. "People have gone from arguing about whether labelling should happen to how it should be organised."

The complex politics of the timber trade thwarted United Nations attempts at the Rio summit to create a treaty on how forests should be managed.

Timber importers are caught in the middle of a passionate debate between the consumer nations, especially the US and EC states, and the producer nations, mainly in the tropics.

The developed nations want developing countries, such as Malaysia and Brazil, to stop wholesale logging. They argue that the world needs the forests to help in climate control, provide habitats for indigenous people and maintain plant and animal diversity.

Groups such as Friends of the Earth are threatening producer countries with trade boycotts unless they conform to management principles which will lead to the preservation of natural forests. The Netherlands is the first EC state to embody these sentiments in national policy.

Developing nations, however, are angry at what they see as an intrusion into their sovereignty and right to exploit natural resources. Malaysia, using exports of its vast timber resources to build its economy, is the most eloquent and uncompromising voice in defence of producer nations.

It asks why it should not be able to exploit its forests when western countries have all but destroyed their natural timber resources and are doing little to curb industrial pollution.

The arguments are blurred by complexities such as the rights of indigenous forest peoples and accusations of human rights transgressions in Malaysia, Indonesia and Brazil.

But the reality for timber importers is that their market in the west is under increasing pressure to get its products from sustainable sources.

Conservation groups have called for a boycott of timber from unsustainable sources, mainly the tropics. Governments, notably in Germany and the Netherlands, have begun to specify alternatives to tropical hardwoods in building contracts.

B&Q, the UK's biggest DIY retailer, says that by 1995 it will only sell timber and wood from sustainable sources. Some countries and organisations are in the process of developing labelling systems so consumers can identify ecologically sound timber.

The US-based Rainforest Alliance has developed the Smart Wood programme which grants a label to those producers that it has checked. Projekt Tropenwald is a voluntary initiative to provide information and certification of tropical timber sold in Germany.

The Forest Stewardship Council, a predominantly WWF initiative backed by some businesses such as B&Q, wants to become an international council which will accredit companies that issue certificates to the timber trade.

The African Timber Organisation, representing African producers, plans to start a labelling scheme to certify the origins of its products.

While there appears to be plenty of agreement on the need for a single, universally recognised label, there is much disagreement about how to set up and police such a scheme.

A big hurdle is for all sides to agree on a definition of sustainable forest management, including such issues as selective logging, maintenance of habitat, replanting and sharply reducing road building.

Sceptics say it is impossible to manage natural forests in this way and all logging should stop. This is clearly not an option for many developing countries with few natural resources.

But even if an acceptable definition of sustainable management can be agreed, verifying the source of timber and policing the verifiers pose immense problems.

Verifiers will have to trace timber as it travels across continents. Developing nations do not like the idea of a western-based timber surveillance force operating on their soil.

Nevertheless, many optimists think a workable labelling system can be set up, not least of all the existing international verifiers, such as Société Générale de Surveillance. How fast it can be developed, however, depends on how well producer and consumer nations co-operate. "Ironically, setting up a labelling scheme is not the difficult part," says Jean-Pierre Kiekens, a lecturer in development economics at the University of Brussels and a consultant on timber policy.

"The real problem is to bring tropical forests under proper management, which is a pre-requisite to making sustainably produced timber available in big enough quantities."

Hugh Fraser on battles between remote Russia and international investors

Think local, act global

During the Soviet years, Russia's vast and beautiful environment scarcely rated a mention on the political agenda. But today's investors in Russia ignore "green politicians" at their peril.

Some of the Russian environmental movement's most telling successes are at the level of regional government, in local soviets or parliaments. Primorsky Krai, a region facing the Sea of Japan, contains dense forests, rivers teeming with salmon and endangered species including tigers and bears.

In common with many regional bodies, the soviet of Primorsky Krai has a powerful environmental committee, which regularly fines local polluters. At the height of communist power, local politicians toed the party line, often dictated from as far away as Moscow. These days they are more independently minded: "Essentially, I am against the industrialist, technical mentality which prevails everywhere," says Anatoly Lebedev, deputy chairman of the environmental committee.

Lebedev's constituency is Krasny Yar, a town little larger than a village. Most of his constituents hunt and fish for a living in the surrounding forests of the Pozharsky District.

Despite the remoteness of the region and his small constituency, Lebedev has found himself at the centre of an environmental battle of international dimensions. The moral of the tale is that investors should pay attention to Russian politics on a very local level indeed.

In 1990, the Hyundai Group of South Korea formed a joint venture – Svetlaya – with two local logging companies. Svetlaya spent $70m (£46.6m) building a sea port, roads and a technical base around the coastal town of Svetlaya, outside Lebedev's constituency.

But two-thirds of the 1m cu m of timber, which Svetlaya planned to cut annually, were located across the political boundary in Pozharsky District, Lebedev's political power base.

The joint venture had the public backing of the then governor of Primorsky Krai, Vladimir Kuznetsov. The Russian government has long recognised the strategic importance of Hyundai Group to the Russian economy. But in Russia's state of constitutional confusion, it is no longer always enough just to have friends in high places.

"Under Russian land use legislation, the real provider of natural resources is the district soviet," says Lebedev. In this case, that meant the soviet of Pozharsky, a sub district of Primorsky.

"The Pozharsky soviet categorically refused to let us log on their land," says Vladimir Stegny, president of the Svetlaya joint venture.

Local people feared that logging on the hills around the source of the Bikin River would damage the salmon-breeding waters which provide their livelihood.

Lebedev's objections go further: "This is one of the last pristine forests left in the world. Their plan to 'clear-cut' [whole sections of] the forest on steep slopes will create a desert."

Nor is Lebedev impressed by the joint venture's plans to replant 3m trees a year. "They have some beautiful greenhouses, but there is no point in planting young trees in a desert. They will die."

The point was underlined by Greenpeace, which last October blockaded the Svetlaya harbour, temporarily bringing exports to a halt. The confusion surrounding the Svetlaya case has done little for the region's image abroad. "Korean and Japanese businessmen often call me to ask about the latest situation," says Stegny.

Svetlaya challenged Pozharsky Soviet in court last June.

The regional court decided in Svetlaya's favour, but Pozharsky Soviet's appeal to the Supreme Court of Russia showed the weakness of Russia's legal system. The appeal judges failed to draw any firm conclusion, merely ruling that there were "deficiencies" in the earlier judgment. The legal position is still up in the air.

"I believe that local people need us as much as we need them. They will come round in a couple of years' time," says Stegny. But he tacitly admits the environmentalists had a point.

Svetlaya now selectively cuts trees. Its $70m investment assumed the joint venture would be in profit by its fourth year. But reduced logging means that break-even point is seven to 10 years away.

Elsewhere in Russia, environmental demands are important criteria when it comes to issuing rights to develop natural resources. In general, this is good news for foreign investors. Russian competitors often have a poor environmental record.

One of the largest deals under negotiation is a project to develop gas fields on the continental shelf off the island of Sakhalin. A consortium known as MMMMS, including Marathon and McDermott from the US, Japan's Mitsui and Mitsubishi, and the Anglo-Dutch Shell, hopes to conclude the $10bn deal soon.

"This is one of the most difficult projects in Russia, from an environmental point of view," says Galina Pavlova, a local Peoples Deputy and member of the Sakhalin Soviet Ecology Committee.

"Environmental concerns have added considerably to the cost. But as an ecologist, I am happy with the proposals, provided they do everything we want."

On the volcanic peninsula of Kamchatka, one of the poorest and least developed regions of Russia, the local administration plans an international tender for extraction of 90 tons of gold from the south of the peninsula. As soon as the plan was announced, the governor of Kamchatka, Vladimir Biryukov, went on television to say that the project would go to the most environmentally clean proposal.

In Primorsky Krai, the environmentalists are girding their loins for the next battle. The Ministry of Atomic Energy is funding a feasibility study into building underground nuclear power stations in the far east of Russia.

In the late 1980s, Lebedev fended off a similar plan to build a nuclear reactor near Krasny Yar. He does not think it will be an easy fight this time round.

"The nuclear mafia in this country still have a great deal of resources and influence," he says.

Russian tigers and other endangered species live in the region of Primorsky Krai

PEOPLE

Jones follows in Kerss' footsteps

David Jones, chief executive of South Wales Electricity, is taking over as the next chief executive of the National Grid Company. He joins at the end of the year, with a short handover period between himself and his predecessor, Bill Kerss, who is stepping down next March when he reaches the normal retiring age of 63.

An English engineer from the Midlands, Jones, 51, looks back on a 32-year career in the industry, with two regional electricity boards, South Western and Midlands. He joined South Wales in 1988 as deputy chairman – coincidentally exactly the position Kerss had held before moving on to the National Grid. He was appointed managing director at the time of privatisation and has run the company, together with chairman Wynford Evans, since then.

One analyst describes it as an extremely effective partnership, with Evans dealing with much of the political and Welsh aspects of the company's affairs, while Jones concentrated on the day-to-day operation.

In April, Jones had assumed the new title of group chief executive, a move which did not however entail any real change of responsibilities or a change in salary.

Jones is credited with helping mastermind a comprehensive reorganisation at South Wales. The presence of Welsh Water, which built a controversial stake in the company which it then disposed of at the end of last year, helped spur management on to make a round of cost-cutting more quickly than happened in some of the other regions.

South Wales says it is embarking on an extensive search for Jones' replacement. While there are internal candidates, it is also searching elsewhere within the industry as well as outside the confines of the electricity business.

The National Grid Holding (NGH) company is owned by the 12 regional electricity companies and South Wales has a 5.4 per cent stake. Jones has been on the board of NGH since privatisation; no headbunters were involved in his appointment.

■ Boots Healthcare International has appointed Peter Milburn as director of marketing. He succeeds Phillip Davey who has become md of Crookes Healthcare, Boots' over-the-counter medicines subsidiary in the UK.

Alan Horgan has been promoted from general manager to be md of Boots' UK pharmaceuticals subsidiary. He joined Boots from Bristol-Myers Squibb in 1991 as head of UK sales and marketing.

■ John Scriven, the UK lawyer who is vice president and general counsel for Dow Europe, has been appointed to the position of associate general counsel for The Dow Chemical Company in Michigan. A law graduate from Cambridge University – the British rather than American one – he is also visiting professor at McGeorge School of Law, University of the Pacific. He takes over from Wayne Hancock, who is retiring.

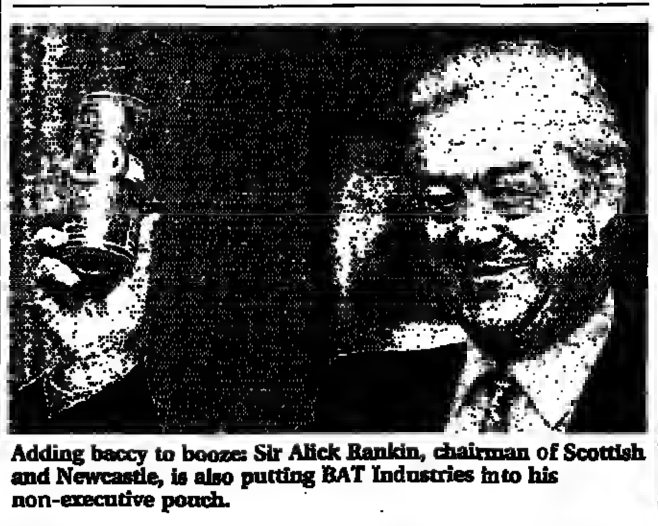
Woods for Bridport-Gundry

Bridport-Gundry, the medical, aviation and defence products group that has just parted company with its group managing director, 50-year-old Brian Cowley, has recruited Geoffrey Woods as its new chief executive.

Chairman Pat Darley says that Cowley, who had been in the post for just over four years, went "as a result of lack of confidence. Clearly things were not working out"; but he was not prepared to elaborate.

The company that once specialised in fishermen's netting has moved into tha fibre technology business, making a range of products from restraint systems for Deutsche Airbus and the space shuttle to medical sutures.

Woods, 45, who joins next week, had been managing director of Toray Textiles Europe, a subsidiary of the Japanese company. He had previously distinguished himself by being one of the youngest managing directors within Courtaulds, the company he joined as a graduate trainee in 1969. Darley, who predicts that his arrival at Bridport will not herald a change of strategy, says he was chosen for his strong marketing skills.



Adding baccy to booze: Sir Alick Rankin, chairman of Scottish and Newcastle, is also putting BAT Industries into his non-executive pouch.

Russell to chair 3i

Sir George Russell, chairman and chief executive of Marley, the building materials group, is set to emerge as the new chairman of 3i, Britain's largest venture capital company, at the end of this month.

A formal decision on his appointment has still to be taken but the firm indications are that Sir George, currently a non-executive director, will take over the chair vacated so hurriedly in April by Alan Wheatley. A formal announcement is expected at 3i's annual meeting on July 28.

Wheatley, a former senior partner with accountants Price Waterhouse, stepped down when 3i's shareholders, the banks, decided to postpone indefinitely a decision on a public listing for the company.

Sir George, who is 57, is no stranger to controversy. He is chairman of the Independent Television Commission, which is opposing plans by the independent television companies to reschedule News at Ten to an earlier evening slot.

A commonsense Geordie who once considered joining Sunderland United, he joined ICI as a graduate trainee at the start of a long career in the chemicals and aluminium industries. His television connection started in the late 1980s when he became deputy chairman of Channel Four.

3i has not traditionally been an exciting part of the financial community. Providing equity and loan finance to small and medium sized companies is a cautious long term business dependent on a careful assessment of companies and their managements.

It is only in the past three years that the proposed flotation and a succession of postponements as the recession deepened have made the job of chairman a high profile position. Sir John Cuckney joined 3i with the mission to take it public but retired early in frustration. Alan Wheatley was in place for only nine months before shareholders decided to wait for a strong recovery before floating and he left.

ARTS

Television/Christopher Dunkley

It's bad news week – again

According to T.S. Eliot (an over-rated poet, yes, but you cannot deny the strength of *The Four Quartets*), "Human kind cannot bear very much reality". But Eliot died nearly 30 years ago, before television hit its stride. What on earth would he have written, had he survived long enough to share our nightly glut of reality in 1993?

The evidence of man's inhumanity to man is bad eoough: whereas past generations learned at second or third hand, and montha or even years after the event, about some hideous piece of cruelty on the other side of the world, we hear and see and share vividly in such experiences within hours of their occurrenca. These daya, television aven ensures quite often that we are present as the ghastliness takes place, whether in Bosnia, Israel, or the City of London as the madmen of the IRA go about their mayhem.

However, just as destructive of the viewer's spirit is the way that television pushes onr noses up against equally vivid pictures showing the cruelty not of man hut of fate. Previous generations knew, of course, that life is often nasty, hrutish and short. They too lived with the mentally ill "in the community", and consequently saw their suffering and, no doubt, occasionally suffered from their violence. Naturally they watched their own parents die and, more often than we have to, their own children, too. But at least they could believe, when faced with such personal tragedies, that *this* was an anomaly, that there was something better somewhere else.

Members of the television generation in countries such as Britain have no such cushion against reality. We know how usual are pain and suffering, because they are brought to us, day in, day out, from our own doorsteps and from doorsteps around the world, in graphic pictures and detailed speech.

To live with the sadness and pain of your own life is one thing, but to try to live with the sadness and pain of the whole world is something else. Half a century into the age of television you begin to wonder whether this is not, perhaps, insupportable. What wa are trying to do in living with global television is unlike anything that any previous generation has attempted.

It is not just, or even mainly, a question of television news, though Martyn Lewis had more justice on his side than his derisive colleagues would admit when he called for more "good" news.

Anybody who has ever worked on a national news desk has felt that collegiate tendency towards the macho which no one likes to question and which insists that a murder is a "better" story than, say, a world championship won by a Briton in some supposedly obscure sport, champions in minor sports being one of the specific examples of a void nominated by Lewis and carefully ignored by his opponents.

Without toppling over into the embarrassing world of the "Good News" bulletin ("Two thousand aircraft didn't crash on take-off from Heathrow this week. . ."), it is time somebody tried to break out of the self-perpetuating circle of bad news junkies. Using the fashion editor as copy taster for a week might help.

But however much the public may be on Lewis's side in this, viewars are surely not surprised when news programmes reflect much of the nastiness of the world. What becomes so dispiriting is the unending succession of current affairs programmes and documentaries detailing the hurt and horror of life everywhere. It is bad enough when this occurs where you expect it. Anyone familiar with the extraordinary work of the late Juris Podnieks will have known what sort of thing was likely to turn up in Channel 4's tribute, *Camera Of Courage*.

Telling it how it was: the late Juris Podnieks at work

Sure enough Sunday's *Homeland* was Podnieks' own cut of an amazing documentary alternating between massed choirs of Latvian folk singers and archive clips showing the invaders from Russia and Germany who have taken it in turns to make Latvian life utter misery: "Mother was a midwife. She helped anyone in need, communist or guerrilla. For that, they forced her into a freight wagon. . ." and deported her to the gulag where there are still 200,000 unidentified corpses.

What does the man of conscience do against totalitarianism in the age of television? He puts a video camera on his shoulder and heads for the sound of gunfire. Working with Podnieks, cameramen Andris Slapins and Gvido Zvaigzne both walked towards the Soviet tanks which circled the parliament buildings of the Baltic states just a few summers ago, and both paid with their lives. It is difficult to avoid tears as you watch the skewed pictures which Zvaigzne's camera continued to record as he fell, hit by the occupiers' bullets.

Equally predictable was the melancholy of BBC2's *Black Daisies For The Bride*, a combination of documentary and drama to mark National Alzheimer's Awareness Week. Director Peter Symes and poet Tony Harrison succeeded in capturing most of the appalling characteristics of the disease, though they did not emphasise enough the dreadful effects upon those most closely related to the victim, usually husband or wife.

The account by *The London Programme* of violent schizophrenics being released "into the community" and then committing murder was scarcely surprising; we have heard already about these cases piecemeal. Most frightening was the clear indication (though this was never explicit, it did not need to be) that we now live in a democracy where it is considered more important to save money than to avoid murder.

More depressing than these, however, are the programmes which you think will be positive and heartening but which are not. Knowing Antony Thomas's previous work, it was fair to assume that his *Viewpoint 93* programme for ITV called "In Satan's Name" would direct a good blast of fresh air on the subject of Satanic child abuse. Previous programmes with credulous reporting from people such as Beatrix Campbell had helped turn a modern myth which lacked even a scrap of evidence into a phenomenon widely believed by social workers, clergymen and even members of the police force. Sure enough Thomas's report revealed this international hysteria for what it is, but in the process it made your heart sink even further.

Without ever mentioning the phrase "false memory syndrome" Thomas showed that these "memories" of ritual abuse occur after sessions with "psychotherapists" and church leaders. In other words this is the same old witch hunting trick that we have seen down the ages: invent a set of demons, introduce them to the minds of the impressionable, put pressure on the impressionable in public and, hey presto, demons! To see the ease and effectiveness with which this ancient technique is still being used, for the self-aggrandisement of therapist and churchman, is deeply saddening.

But if in the past week you wanted the final push towards the point you needed to watch a two-hour programme in Channel 4's "True Stories" series called *Time Indefinite*. This began as one of those home movies made by American members of the Me generation who believe that any aspect of their own lives captured on camera must be fascinating to the rest of the world because – well, it's about Me, isn't it? In the second half, however, Me's grandmother died, Me's wife miscarried, and Me's father died, a series of blows from fate which, in the end, seemed unfair even to such an insufferable egotist as Me.

No viewer is forced to ingest such a concentrated diet, it is true. Even television critics are entitled to opt for a comedy or a light entertainment programme from time to time, assuming that in July they can *still* find one that has not been shown umpteen times before. But unless you do sit down and plan carefully to avoid it, you can find television bringing you more reality than human kind can bear.

Theatre

Separate Tables

A pleasing coincidence gives London revivals of plays by Noel Coward, Terence Rattigan and John Osborne. Anyone who sees all three will, I hope, begin to discard the belief that British theatre changed radically with the opening of Osborne's *Look Back in Anger* at the Royal Court on May 8 1956. For if you look at the playwrights as a group, it is their continuity that stands out.

True, there was a change in the milieu – a move from the drawing room to the ironing board. With Osborne's success, Rattigan went out of fashion and Coward into decline. But there was no revolution.

The conventions remained pretty much the same, the aim being a well-made play with a beginning, a middle and an end, and a capacity to shock thrown in.

It was Osborne who was the conservative. He followed his masters closely, but dropped such controversial subjects as drugs and homosexuality. The difference was that he seemed to have moved the frontiers by writing about a lower down a class in the social hierarchy and expressing anger at the *status quo*. It was not until *Inadmissible Evidence*, now revived at the Royal National Theatre, that he moved to more complex relationships.

Looking back, it is clear that was a great deal of anger in the British theatre before 1956. As early as 1924 Coward was an angry young man writing about drugs and sex in *The Vortex*. And anyone who has seen the revival of his *Present Laughter* at The Globe will have noticed that it is not entirely a play about upper-class society. The ménage in which Gary Essendine lives contains a broad social mix.

Rattigan pushed the frontiers much further. In the recently revived *The Deep Blue Sea*, practically every social class, including immigrants, has a look-in. The play is a marvellous plea for tolerance of social and sexual deviation within a society constricted by the law.

How anyone could have thought that Rattigan was a conventional playwright merely because he used conventional forms must now defy the imagination. Apart from everything else, he used the conventional forms so well.

Separate Tables, which is now revived at The Albery, is a slightly less good play. First performed in 1954, two years after *The Deep Blue Sea*, it was initially a winner but may have been the beginning of Rattigan's downfall, because it was about old England – a mixture of shabby genteel people slowly fading away in a private hotel near Bournemouth.

The fault lies with the structure. *Separate Tables* tries to roll two sets of events into one with a gap of 18 months in between. The first concerns a disgraced former Labour Party minister (class of 1945) whose ex-wife, a once and perhaps still beautiful model, arrives in the hotel.

They are at least temporarily re-united by the manageress (Charlotte Cornwell), who represents all that is tolerant and decent in a strained environment, and is also the former minister's current mistress.

In the second half, the admirable Ms Cornwell strikes again for the forces of liberalism. She allows another disgraced guest to stay despite the fact that he has been exposed, and reported in the local newspaper, for minor indecency in a nearby cinema. The mildly jarring asymmetry is that here, the manageress has had no direct involvement in the emotions. She is more the wise ruler than the partial victim.

Yet if you want a liberal Ms Britannia trying to hold a declining country together in Bournemouth in 1954, look no further. The appropriate patriotic music quietly pervades the play. Ms Cornwell even has a line that seems a refinement of Mona Lott in ITMA: "It's surprising how cheerful one can be when one gives up hope."

Some of the period details are wonderfully done. In the early 1950s, educated Conservative voters read the New Statesman (here called New Outlook, for which the disgraced politician writes under the pen-name of Cato), claiming that they did so only for the music criticism.

In *Separate Tables*, they have views on taxes and dividends that relate to real life, and (picked up from a television programme) on the respective merits of levelling up and levelling down. The biggest shock, and it is considerable, is when the seemingly progressive wife of the young medical student, turns out not to be a liberal.

There is a lovely twist at the end, when a new couple appears at a table, talking only to each other, unaware of what has gone before and the drama that is going on around them. Perhaps here was the beginning of Act 3 or another play. I like to think of it as a defiant Rattigan gesture: a hint of what might have been said next, had he not been so rudely interrupted by a change in fashion.

As it is, there is an ironic shaft at the coming shift in conventions. The former minister is reprimanded for using the French windows which are concealed from view. As for social class, he was originally a docker from Hull.

One more point: there is a direct and telling reference to McCarthyism. No-one should ever have said that Rattigan was out of touch with his time.

The setting – by which one really means the seating – in *Separate Tables* is crucial. In Sir Peter Hall's production, designed by Carl Toms, it is a trifle ponderous, but that may have been the flavour of the period.

As a theatrical device, the separate, sometimes communicating tables are a delight. The menu is a mixture of listening, watching, talking and occasionally eating. Peter Bowles and Patricia Hodge double as the main romantic parts in both sections.

Malcolm Rutherford

Albery Theatre. (071) 867 1115

Opera

The Man Who Strides the Wind

Before his death in 1989 Bruce Chatwin had conceived the scheme of an opera, a collaboration with the composer Kevin Volans. The project was to draw on ideas from Chatwin's wonderful novel *The Songlines*, extending its meditations on the nomadic nature of man, and the focus was to be the life of Arthur Rimhaud, particularly the years he spent wandering around Africa, having ahandoned his poetic career. Chatwin became too ill to complete any of the libretto, and the text for *The Man Who Strides the Wind*, which received its first performance at the Almeida last weekend, has been assembled by the writer Roger Clarke from sources thet include Rimbaud's own poetry, Chatwin's travel notebooks and the classical texts – Hesiod, the Bible – closest to Chatwin's heart.

Of the rash of operas that have been promised in recent years, this work-in-progress was perhaps the most intriguing and tantalising. Volans' instrumental and orchestral works have established him as one of the most distinctive voices in contemporary music, and the subject matter seemed perfectly suited to a composer who had derived so much flavour from his South African background. What has reached the stage, though, is a profound disappointment in musical and dramatic terms.

The reasons for that failure are tangled and hard to establish: the negligible production hy Peter Mumford (designs by Neil Irish) is certainly no help, and often clumsy in its effects, while Volans' score is realised tentatively under David Parry's direction. Bnt both producer and conductor can claim some mitigation; there is something intrinsically unoperatic about e work whose first act revolves about a death-bed scene, the second is a anstained duet for tenor and baritone, and only a small fraction of the text is comprehensible.

The weight of the intellectual argument in *The Man Who Strides the Wind* falls in that long (70-minute) second act, as Rimbaud and his servant/companion Djami wander through tha Ahyssinian desert while the former poet tries to come to terms with his restlessness, his inability to feel at home in any landscape. The first act sets up the discourse as the dying Rimhaud, returned home after 12 years' wandering, is tended hy his sister and fearsome mother who know nothing of his former life. But the lack of drama and the lapidary text resist easy involvement; the opera always manages to hold its audience at arm's length.

Most disappointing of all was the effect of the music itself. The vocal score promised a wonderfully subtle, teeming texture, full of the teasing polyrhythms and glistening, slender textures which Volans has made his own. In the claustrophohic Almeida acoustic, though, many of those effects were made to seem miscalculated and the instrumental playing (the combined forces of the Brindisi Quartet and the Almeida Ensemble, fine players all of them) lacked the precision and delicacy Volans' music always demands. Moments one looked forward to were totally lost – the very opening of the work, for instance, with e boy treble intoning fragments of Rlombaud's verse as a backdrop to the utterance of the dying poet, emerged totally indistinct.

While Volans' score contains much that might thrive in a different context, this is not a show from which the ENO's Contemporary Opera Studio can take any credit. Only the singers could be satisfied with their contributions: Thomas Randle made a fine, compelling Rimbaud, Meurig Davles a compassionate, boyish Djami; Susan Bisatt was tha attentive sister Isabelle, Jennifer Rhys-Davies, the gorgon-like mother. David Nawman provided the shimmer of treble in act one.

Andrew Clements

Almelda Theatre; further performances July 9, 12 and 16

London City Ballet

Last Saturday, the London City Ballet pirouetted its last at the Theatre Royal Bath, victim of Arts Council intransigence ovar regular funding, *Antony Thorncroft writes*.

Early in September in Stevenage, the London City Ballet will embark on its annual autumn tour. That at least was the guarded assurance provided by artistic director Harold King on Monday. He could sound optimistic because he was standing next to the money man from ADT, whose chairman Michael Ashcroft seems set to take over from John Hughes as the financial backer of the LCB.

He has pledged £150,000 a year. The plight of the company precipitated a sndden donation from the widow of Nureyev'a agent Sandor Gorlinsky. Texaco has promised £150,000 in the autumn. The dancers are now on holiday – *unpaid* – but a slightly smaller company should assemhle in August to rehearse *Coppèlia*.

Alastair Muir

Patricia Hodge and Peter Bowles strike a pose

INTERNATIONAL ARTS GUIDE

■ AIX-EN-PROVENCE

Opening on Sun, this year's festival has a diverse trio of operas: Weber'a musically abundant Euryanthe (conducted by Jeffrey Tate), Handel's magnificent Orlando (with Felicity Palmer), both in new productions, and e revival of Don Giovanni starring William Shimell. Among the concerts are Berlioz'a L'Enfance du Christ in the Cathedral and Campra'e L'Europe galante in the Archbishop's Palace Theatre. Recitalists include Andreas Schmidt, Gundula Janowitz, Lella Cuberli and Nathalie Stutzmann. Ends July 28 (4217 3434)

■ AVIGNON

Jacques Lassalla'a Comédie Française production of Moliere's Dom Juan opens this year'e festival on Fri and continues till July 20. The festival has also organised two Jorge Lavelli productions - Edward Bond's Maison d'arrêt (July 15-23) and Steve Berkoff'a Kvetch (July 27-Aug 2). Other attractions include stagings of Bulgakov's Adam and Eve (July 10-18), Sophocles' Oedipus at Colonus (July 27-Aug 1) and a Russian-language version of Tom Stoppard'a Rosenkrantz and Guilderstein are Dead (July 27-Aug 1). The contemporary music programme focuses on Harrison Birtwistle and Klaus Huber. Ends Aug 2 (9086 2443)

■ BAD KISSINGEN

The chief attraction of the Kissinger Sommer is its setting in a north Bavarian spa town, with its former royal house and fin-de-siécle theatre. This week'a programme includes a Bamberg Symphony Orchestra concert tonight with cello soloist Lynn Harrell, a recital by Gwyneth Jones tomorrow, an orchestral concert on Fri conducted by Lorin Maazel and a performance of Haydn's Creation on Sun. Next week's artists include The English Concert and sopranos Edith Wiens and Cheryl Studer. Ends July 18 (0971-807110)

■ BAYREUTH

Interest at this year's festival, opening on July 25, focuses on e string of debuts. East German dramatist Heiner Müller tackles his first opera production, Tristan und Isolde, designed by another Bayreuth debutant, Erich Wonder. After a decade as Bayreuth's reigning Kundry, Waltraud Meier attempts tha soprano heights of Isolde, while Siegfried Jerusalem tackles his first Tristan. In Parsifal, the new Kundry is Deborah Polaski, while Poul Elming and Linda Finnie join the cast of Lohengrin. Donald Runnicles returns to conduct Tannhäuser. Ends Aug 28 (0921-20221)

■ BEAUNE

This week's programme at the Festival International de Musique Baroque, ona of the few coherent French regional music festivals, includes a concert of Vivaldi motets with Amsterdam Baroque Orchestra under Ton Koopman (Fri) and medieval Spanish music with Hesperion XX under Jordi Savall (Sat). Later in the month, there is a concert by The Tallis Scholars, plus performances of Purcell'a The Fairy Queen and Handel'a Scipione. Ends Aug 1 (8022 2451)

■ BRUGES

This year's early music festival, part of the Flanders Festival, opens on July 24. Highlights includa e performance of Carissimi'a oratorio Jepthè by the Consort of Musicke conducted by Anthony Rooley, Spanish medieval music played by Hesperion XX conducted by Jordi Savall and a song recital by Emma Kirkby. Ends Aug 8 (050-448686)

■ COLMAR

The south-east corner of France seems an unlikely place for Russian musicians to congregate each summer, but thanks to violinist Vladimir Spivakov this Alsatian town now has e respectable annual music festival.

The Moscow Virtuosi, directed by Spivakov and Yehudi Menuhin, gives concerts tonight, tomorrow, Fri, next Mon and Wed, with solo contributions from Pierre Amoyal, Nathalia Stutzmann, Spivakov himself and several other high-powered soloists. Sat and Sun: Shlomo Mintz directs Israel Chamber Orchestra. Ends July 14 (8920 6894)

■ LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Anthéron, equidistant from Avignon and Marseilles, are the peaceful setting for e piano festival which has been gathering international renown since it was founded eight years ago. In the opening concert on July 31, Brigitte Engerer is soloist with the Novosibirsk Philharmonic Orchestra from Siberia.

There are 33 concerts in all, with programmes celebrating anniversaries of Grieg, Tchaikovsky and Rakhmaninov, a cycla of Schubert sonatas on modern concert grand and fortepiano, e Debussy series using period instruments and introductions to Medtner and Corigliano. The line-up of artists includes Christian Zacharias, Nikolai Demidenko, Maria Joao Pires and Stephen Hough. Ends Aug 22 (4250 5115)

■ MONTPELLIER

Radio France's annual festival, opening next Tues, continues to promote off-the-beaten-track operas in concert format.

This year'a line-up includes Morlacchi's Barber of Sevilla, Wagner'a Rienzi, Zemlinsky's Birthday of the Infanta, Puccini's Le Villi and - best of all - Reyer's grand, unjustly neglected Sigurd, with a fine cast headed by Chris Merritt. Ends Aug 11 (6702 0201)

■ MONTREUX

Tha Jazz Festival has moved from the foreshore of Lake Geneva and the crumbling confines of the town's Casino to the shiny new Stravinsky Auditorium.

Tonight'a concert is given by Chick Corea, Herbie Hancock and George Duke'a Instant Band. Fri: Ute Lemper and Paolo Conte. Sat: soul and jazz night with Al Green, Chaka Khan, Ramsey Lewis. Mon: Stanley Clarke takes part in world premiere of new work by George Duke. July 15: Blues Summit with BB King and Etta James.

Fringe sessions at the New Q's Club look good, with Ray Brown Trio and Elvin Jones Jazz Machine on Fri, and John Scofield Quartet next Tues. Ends July 17 (021-963 8282). Montreux'a classical music festival runs from Aug 20 to Sep 24 (021-963 5450)

■ NICE

This year's JVC Grande Parade du Jazz (July 13-24) has an exciting parade of big names. Lionel Hampton, Pat Metheny, Joe Henderson, Illinois Jacquet and George Benson feature among crossover types such as Manhattan Transfer, Wynton Marsalis and Manu Dibango (9371 8960)

■ ORANGE

This year's operas are La traviata (July 17 and 20) with Kathleen Cassello, Roberto Alagna and Paolo Coni, and Otello (Aug 7) with Vladimir Atlantov, Alain Fondary and Nina Rautio (9034 2424)

■ RUHR

The Ruhr Piano Festival features 40 internationally-renowned musicians playing in nine German cities, including Bochum, Gelsenkirchen, Duisburg, Hamm and Herten. There is no programme thema, hut several concerts includa an introductory talk by German author and critic Joachim Kaiser. Planists featured over the coming month includa Oleg Maisenberg, Nelson Freire, Dmitri Alexeev and Malvyn Tan. Ends Aug 14 (Rhein Ruhr Ticket 0201-268081)

■ SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in northern Germany.

There is a strong Polish influence this year, with three Polish orchestras touring the region and performances of Szymanowski, Penderecki.

This week'e visitors include Orchestre de Paris conducted by Semyon Bychkov in Kiel and Lübeck, The Tallie Scholars in Rendsburg and Bad Segeberg, Peter Donohoe in Itzehoe and Westerland, and Matt Haimovitz in Husum and Reinbeck. The line-up of recitalists in coming weeks includes Jessye Norman, Anna Sophie Mutter, Shura Cherkassky, James Galway and Margaret Price.

Ends Aug 22 (0431-567080)

ARTS GUIDE

Mondey: Performing arts guide city by city.
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Edward Mortimer

Bogey word for EC

Europe's magnetic pull often promotes Balkanisation

Personally I have always felt attracted to the Balkans – influenced, perhaps, by memories of the exotic Balkan Sobranie cigarettes my mother used to smoke. But "Balkanisation" has long been a bogey word for west Europeans. It is what happens when large empires fragment into small and squabbling mini-states: impotence, frustration, bloodshed – and all in a context of complexity with which world statesmen, not to mention their electorates, soon lose patience.

Until two or three years ago it was a rather dated bogey word, referring mainly to things that happened in 1914 or earlier. Now, alas, it is all too topical. The break-up of Yugoslavia has been a classic case of Balkanisation right there in the Balkans. The rest of the Balkan peninsula – generally understood to include Albania, Bulgaria, Greece, Romania and the European part of Turkey – has come to be seen mainly as the wider theatre in which the Yugoslav tragedy is being played, and which might go up in flames if the fire on stage is not quickly put out, or at least contained.

Needless to say, this state of affairs is not good for the region, even those parts of it that have so far been spared direct involvement. Their trade is distorted by sanctions and by the disruption of transit routes, notably the Danube. Insecurity discourages foreign investment. And political leaders, too, tend to discriminate against the region. They give priority to central Europe – which is closer and seems more hopeful – or to Russia, because of its manifest strategic importance and vast natural resources. With a mixture of guilt and exasperation, they regard the Balkans as an area where they must struggle to contain the war, but there is nothing else to be done.

What western Europe most fears about the Balkans is that it might itself be contaminated and Balkanised. That is what happened, according to most west European diagnoses, in 1914; and if there is one thing the EC still feels entitled to congratulate itself on, in a Balkan context, it is that it has preserved its unity in the Yugoslav conflict, albeit a unity of near-paralysis, in spite of deep disagreements among its members.

You can well imagine, therefore, that a meeting last weekend in Corfu on "the European Community and the Balkans", co-sponsored by the Commission with two semi-official Greek think-tanks, and attended by people from all the Balkan states, old and new, was not an entirely smooth or joyous affair. The people from Brussels tried not to sound patronising, but almost always failed. The people from the Balkans avoided, to a surprising extent, rehearsing their local quarrels. Instead they joined in a united litany of complaint,

The EC's pull tends to provoke the disintegration of other federal structures

accusing western Europe of everything from impeding capitalist development in the Balkans in the 19th century to discriminating against them in the kind of agreements it is prepared to negotiate in the late 20th.

Commissioner Joao de Deus Pinheiro, who as Portuguese foreign minister presided over the EC's abortive effort to prevent the war in Bosnia last year, was obliged to make an almost ritual act of contrition for that failure, while pleading that, if it were to do better in future, the EC must have "a credible back-up capacity" – ie, a military one, provided by the Western European Union, or failing that by Nato.

"Who is to blame?" asked Nikolai Todorov from Sofia, voicing the almost unanimous anger of the region. "Who should take the burden of responsibility for what is going on in the Balkans today? What are we up against – 'Balkanisation' or 'Europeanisation'?"

Europeanisation of the Balkans? It sounds the opposite of what is happening, but I think I see what Mr Todorov means, or might mean. The EC congratulates itself on its powers of integration internally, and the "magnetic attraction" it exercises on those around it. What has not been sufficiently noted is that this powerful magnetic pull tends to provoke the disintegration of other federal or co-operative structures in the neighbourhood.

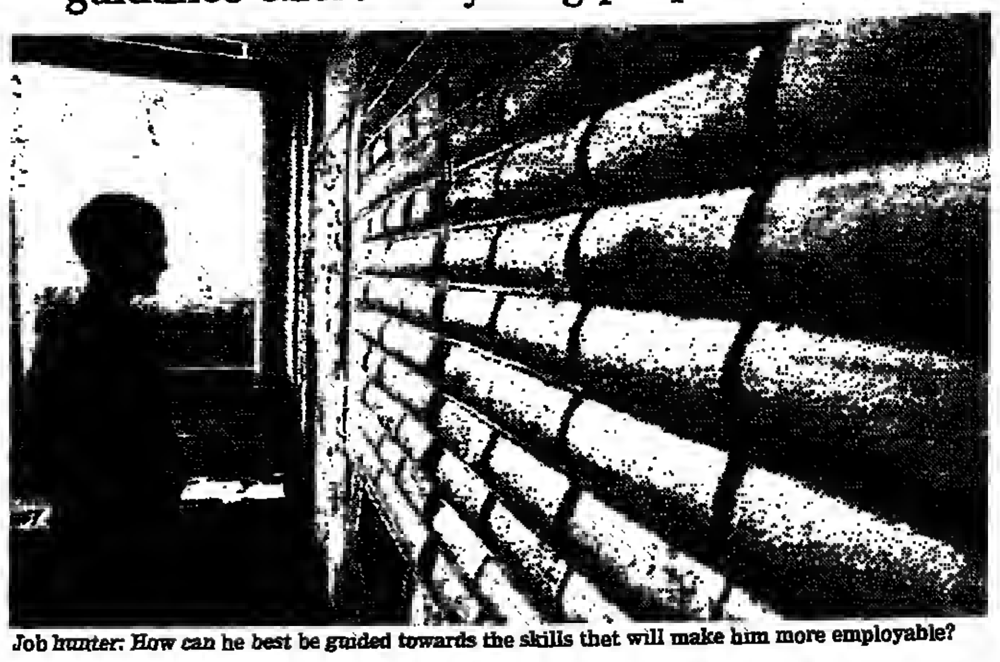
The EC may preach local and regional co-operation, but the audience is not interested. What the audience sees is a rich and powerful club, membership of which eclipses the value of any local association. Every nation or potential nation, if not every individual, starts to think how it could get in and how, above all, it must not be held back by association with less wholesome or less fortunate neighbours.

This is not a purely Balkan phenomenon. Czechs have dissociated themselves from Slovaks, and are not happy even about being bracketed with Hungarians and Poles. The latter in turn insist that they are central Europeans, who must not be lumped together with others further east or south. Balts are determined to be in a different category from Ukrainians, and Ukrainians from Russians. But "Balkan" is also a category no one wants to belong to, as a Slovene speaker in Corfu made tactlessly clear. "Slovenia," he said, "will not take part in anything that pulls our country back, or puts it into a marginal group."

One cannot blame the EC for something that is the inevitable consequence of its success. But it could have done more to counteract it. Rather than deal with each country separately, on a "hub and spoke" basis, it should have done what the US did in 1947 when "Balkan" tendencies in western Europe were rampant. Get together, George Marshall told the Europeans: work out a joint programme, and we will help you. "Any government which manoeuvres to block the recovery of other countries cannot expect help from us." That is the tone the EC should have taken in its dealings with the Balkans, and with eastern Europe as a whole.

Dear David: shall I stay on at school?

Lisa Wood examines a shake-up in the careers guidance offered to young people in the UK



Job hunter: How can he best be guided towards the skills that will make him more employable?

Mr George Astbury, training and development manager at British Gas Northern, has strong views on the career guidance offered young people. He thinks much of it is poor and anti-industry.

"Most of the officers from the Careers Service seem to have little understanding of our industry, or industry in general," he says. "I think they believe working for British Gas involves donning a pair of overalls and walking around with a spanner. But we have a huge range of jobs on offer."

Mr Astbury, like many fellow employers in the Confederation of British Industry – where he sits on the education policy panel – has lobbied for reform of careers education and guidance, currently provided partly by schools and partly by the 6,000-strong Careers Service. The latter has an annual budget of £135m and several client groups, including schoolchildren, 16-to-19-year-olds on government training courses, and employers.

The service will undergo a thorough overhaul over the next few years following legislation last week which stripped local education authorities of their statutory supervisory role. Responsibility for running career's guidance will shift to the department of employment, which will introduce competitive tenders for a franchised service. Instead of 116 Careers Services run solely by LEAs, the government wants various local organisations to provide a new patchwork of services for local communities. Funding will still come from central government though the figure is not yet fixed.

Interested observers, including the CBI and the Institute of Careers Guidance, which represents careers officers, say the reform addresses some, but not all, of their concerns about the quality of advice. A particular worry is that guidance in school will not be improved by the changes because it is not part of the new national curriculum which concentrates on core academic subjects. They argue improvements in careers advice should span both schools and the Careers Service.

What is clear, however, is that the service has moved from being a neglected Cinderella of local government to near the top of the political agenda as employers have grown more concerned about the skill levels of UK workers.

Renewed interest in careers advice stems in significant part from a CBI report, Towards a Skills Revolution, published in 1989. It argued skill levels could be improved only if individuals were motivated to make the fullest use of their talents. But the training and vocational system had never put individuals first – the needs of providers had enjoyed higher priority.

General recommendations on lifelong learning included specific calls for the introduction of a system of credits which would give individuals a publicly-funded right to post-16 education or training. Critical to the success of this scheme was high-quality careers guidance so that young people received help in deciding whether to stay at school or take up a job with training.

The influence of the CBI's ideas was evident in the government's 1991 white paper, Education and Training for the 21st Century, which outlined its plans for all 16 to 19-year-olds. By 1996, the paper announced, a watered-down version of the CBI proposals, Training credits for those leaving full-time education would be introduced.

The white paper contained proposals for raising the overall quality of the Careers Service, drawing it closer to employers and forging new links with employer-led Training and Enterprise Councils. Tecs were set up to administer the government's publicly funded training programmes and increase employers' commitment to training.

In tandem, the government also conducted an internal review of the Careers Service though no report was published. Careers officers who saw the findings say the government failed to make a case for reforming the service. "It is difficult to judge whether the government was concerned to strip the powers of LEAs or make a genuine privatisation," said one.

The then-employment secretary, Mr Michael Howard, wrote to interested parties asking for comments on options for the service, saying: "The introduction of market disciplines is needed to sharpen management practice, which in some areas is below an acceptable standard."

The result has been a wide-ranging reform, under which the employment secretary, now Mr David Hunt, will choose how careers services should be provided at the local level. For instance, he could decide to include local education authority Careers Services working in partnership with other organisations, such as Tecs, or he could exclude them entirely.

There are no prescribed models, although it is understood that the government will look favourably at partnership arrangements that demonstrate broad community support, particularly from employers. Services to the core client groups will still be free but there could be a charge for "bolt-on" services, such as adult counselling.

Tecs, responsible for providing Youth Training places for young people, and which also do pioneering work on adult guidance, are understood to be lobbying hard for such partnerships. Many have already built voluntary partnerships, with varying degrees of success, with their local LEAs.

The CBI, however, objects to Tecs being involved in franchise bids. Mr Howard Davies, director-general of the CBI, argues that they should not be directly involved in providing careers' guidance; rather, they should be strategic overseers of the setting up of local markets for advice.

This controversial suggestion has drawn criticism from several careers officers, who would prefer to see the Tecs involved directly in the new services. "If there is a local market, who would advise the individual on which provider of advice to go to?" asks Mr Allister McGowan, head of the Careers Service in Hertfordshire.

Apart from specific worries about how the reforms will be implemented, many careers officers are concerned about the threat to jobs. In Greater London, for example, there is scope for a rationalisation of the 32 borough-led careers services.

Mr McGowan said there was both uncertainty among careers' officers about future employment prospects and concern over the quality of new providers. However, the changes might enable the Careers Service to move more effectively into new markets, particularly guidance to all age groups, he said.

Local business people, he added, had a role to play – his LEA is setting up a voluntary partnership with Hertfordshire Tec. If Hertfordshire is chosen as one of 14 pilot schemes, from April next year, he said the arrangement would probably be put on a more formal footing and a joint bid made for the local franchise.

"We need to explore how we actually get employers involved in the delivery of education and training," he said. "Teaching young people about work is more than an employer offering to give a talk on spot-welding. It has to be deeper and more sustained than that."

A sustained commitment to careers' guidance might help young people make better and more informed decisions about their working lives. A recent Audit Commission report with the Office for Standards in Education found that more than a third of 16 to 19-year-olds in full-time further education did not complete their studies or attain the intended qualifications. The government hopes its reforms will put an end to such discrepancies. If a period of administrative chaos is necessary to enable young people to decide on which skills they need to acquire, then the disruption will be worth it.

Mr Davies, of the CBI, said: "We need higher skill levels in this country, and an enhanced system of careers advice and guidance is central both to achieving that objective and to ensuring that those skills match up with appropriate labour market opportunities."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution.

UK's 'rare breed' hit by computer tariffs

From Ms Eileen Chao.

Sir, I would like to echo the cry for scrapping tariffs in the computer sector made by Mr G S Shingles, chairman of Digital Equipment (Letters, July 5).

We have just finished exhibiting in a leading UK computer show. We were astonished at the responses we received when it was mentioned that we were a UK company that designs and manufactures all its products in the UK. Reactions ranged from raised eyebrows and looks of incredulity, to comments like "good luck to you" and "good grief".

It is sad that UK manufacturers in the computer industry are such a rare species, and the high level of tariffs this government bas imposed is a major contributing factor.

Mr Shingles has focused on the UK computer industry's ability to compete in the world computer market, bnt there is an even more urgent reason at home for abolishing high tariffs in the computer sector. In the UK, local manufacturers are facing competition from US and Far Eastern manufacturers, which pay import duties of less than half those we pay on imported computer parts that cannot be sourced in the UK. Unless this is changed, it is no wonder that people should marvel at the purpose/logic behind a UK manufacturer.

Eileen Chao,
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Lessons not to be ignored on corporate venturing

From Prof Dale Littler.

Sir, Christophar Lorenz (Management, July 2) highlights the renewed interest in corporate venturing. This is supported by tbe significant number of companies which, because of our research during the 1980s into new business development, have heen approaching us.

It is important that many of the lessons learned from those earlier, often unsuccessful, attempts are not neglected.

The research pointed to a number of issues which need to be addressed. in particular, it appears important to adopt evaluation, planning and control approaches more appropriate to the special features of innovative, than of mature, mainstream businesses. Careful attention to marketing must be ensured from the initiation of any new venture as against assuming a technology or product-based stance. There must also be clear responsibility at a senior level for venturing activities, which should be considered as an integral component of the strategic development of tha company. And venturing activities must work effectively with the major functions while at the same time being insulated from the operational requirements of the firm.

Dale Littler,
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UMIST,
Manchester M60 1QD

Ashworth's research centres and academic chairs will help LSE

From Lord Desai.

Sir, The news of John Ashworth's setbacks (Observer, "Under review", June 25) needs to be put in perspective. While be may have lost County Hall and his plan for top-up fees, he has already chalked up a number of successes.

One of these is the Centre for the Study of Global Governance, which is funded by the World Humanity Action Trust. As its director, I can vouch for the fact that it was John Ashworth's network as a natural scientist which secured us the money. The same is true of the Principe d'Asturias chair in Spanish Studies estahlished with a donation of £500,000.

The Observer item appeared in the middle of a three-day conference on Evolution and the Human Sciences. Not only had John Ashworth, as a microbiologist, been instrumental in setting up this dialogue between natural scientists, social acientists and philosophers, hut he belped its host, the London School of Economics philosophy department, secure from an anonymous donor a 25-year, rent-free lease on a building in the vicinity of the LSE. This will house the proposed All London Centre for the History and Philosophy of Science.

Eventually research centres and academic chairs will help the LSE, whatever happens to County Hall.

Meghnad Desai,
Centre for the Study of Global Governance,
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Competitive companies are the key to removing unemployment

From Mr John Horam MP.

Sir, As Samuel Brittan says (Economic Viawpoint, July 1) in commenting on the prime minister's remarks in Copenhagen and my own pamphlet, Making Britain Competitive, the units that compete in world trade are companies, not nations. Quite so.

Nevertheless, as, among others, Michael Porter, in his book The Competitiva Advantage of Nations, points out: "The national economic environment does have a central role in determining the success of companies." Compare, for example, the performance of major car companies in Japan, the US, Germany and the UK.

One of the most important points in my pamphlet was that the countries where the highest growth has been achieved postwar have been those such as Japan and South Korea, which have both a market economy and a government that gives top priority to improving tha competitive environment.

The market-led reforms of the 1980s brought about a huge improvement to Britain, but the government policymaking process still needs a lot of attention. In particular it needs better co-ordination, economic policies better designed to help business and a more skilful approach in areas where the government itself is responsible.

For example, since good policy starts with proper information and analysis, I suggest that a government-wide competitiveness unit should be established. This should report to a cabinet committee on competitiveness, chaired by the prime minister and including the president of the board of trade, the chancellor of the exchequer, the chief secretary and tbe secretary of atate for education, who would also be responsible for training. All economic decisions such as the shape of the budget should be looked at by this committee. This would give a competitiveness strategy proper priority and improve co-ordination.

Interestingly enough, it was also reported in your July 1 issue ("Treasury boosts halp for business") that the Treasury is to set up a new unit to explore ways that it can improve industrial competitiveness. This shows the thinking is moving in the right direction, though it also betrays the fact that the government is still too departmentalised. The Department of Trade and Industry already has a competitiveness unit, so here we have another set up by the Treasury. I advocate one for the government as a whole.

Samuel Brittan admits that, if relevant competitiveness is not the explanation for the differing economic performance of nations, thare has to be some other. He advocates changes in the labour market and pay and he concludes: "If there is to be a return to full employment, much more effort will have to be mada by employers to find pay rates at which jobs can be offered."

I disagree. Pay is only part of the equation. I think we will not return to full employment until we have more of the competitive companies that have developed in the UK in the last 12 years. Japan has more and it has low unemployment. National economic policy should be directed towards improving the competitive environment.

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FINANCIAL TIMES
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Wednesday July 7 1993

Health and development

THE WORLD Development Report from the World Bank is a timely *reminder* that at the root of the world healthcare problem lies a remarkable success: the increase in the life expectancy of all of the world's citizens. Precisely how long, and how healthy, their lives will be is still excessively determined by place of birth. But the rules for serving their rising health needs as well as possible are the same tha world over.

In 1950, a child born in the developing world had a life expectancy of 40 years. Today it is 63 years. The chance of that child dying before the age of 5 is now 1 in 10, nearly three times lower than in 1950. The World Bank's report, "Investing in Health", pays due tribute to such achievements, the result of gains in income and education as well as concerted public health programmes.

Not that there is room for complacency. As the report notes, infant mortality is still 10 times higher in the developing world than in the established market economies because easily preventable health problems persist. Some 43 per cent of the burden of disease in Sub-Saharan Africa is due to complaints such as measles, which are cheaply prevented or cured. The report argues that governments could make progress even on existing budgets, by targeting funds more effectively.

Broad scope

The Bank's recommendations see a broad scope for the developing world to learn from the developed. Strategies which richer countries have found only belatedly in the face of rising health costs could be adopted now in many low and middle income countries. These would produce immediate gains in terms of human life as well as ensuring that future economic development has the maximum possible effect on health and living standards.

Governments must target what they spend towards those services which offer the biggest return. The difficult calculation about the balance of spending between highly specialised treatment and simpler procedures of wider value applies in both rich and poor countries. In the developing world, many still die for lack of access to clean water.

At the same time, the report encourages developing countries to promote diversity and competition in the funding and delivery of health services. The breadth of the Bank's experience enables it to show where lessons learnt in high income countries – about the dangers of fee-for-service insurance systems, for example, or scope for localised decision-making – can valuably be applied in poorer regions.

Donors' role

Growth in understanding of these points is at least as important as overall spending levels. The report notes that the share of overseas aid devoted to health fell from 7 to 6 per cent during the 1980s and argues that this cut should be restored. The Bank also points to a World Health Organisation estimate that less than half of all medical equipment in developing countries is usable. Donors clearly have a part to play in ensuring that money is wisely spent.

The report also focuses upon two controversial areas: Aids and tobacco-related diseases. On current trends, each will be killing around 2m people a year in developing countries within 10 years. There is little support in this report for a fashionable western view that too much money is being spent on research into combatting Aids, although in the developing world, the key message is that preventive measures are as potentially effective as they are inadequately available. Diseases caused by tobacco also call for determined preventive programmes, although here the developed world's stance is compromised by the commercial interests of its cigarette manufacturers.

The core message of the Bank's report is that investment in health and in growth are two sides of the same coin. There is a "mutually reinforcing cycle" from improved health standards to higher productivity and stronger economic growth. The world's richest countries, as represented today at the G7 summit in Tokyo, have a role to play at each stage of the cycle, through nurturing information flows, aid programmes and, most important of all, the further development of a liberal system of international trade.

Crime, justice and efficiency

THE WISDOM of the 352 recommendations in yesterday's report from the Royal Commission on Criminal Justice should be assessed by the extent to which they will reduce the miscarriages of justice that have discredited Britain's criminal justice system. Although the scope of the inquiry has rightly been broadened to address other aspects of public unease, it was launched following the overturned convictions of the Maguire Seven, the Guildford Four and the Birmingham Six. Restoring confidence in the criminal justice system is vital not only in the battle against crime in the UK, but also in convincing other countries that they can co-operate with the British authorities in pursuing criminals.

Thus the recommendation that an independent tribunal be set up to review alleged miscarriages of justice is welcome. So, too, is the loosening of the restrictions on what may be considered by the Appeal Court in reviewing a case. These proposals should ensure that discredited convictions can in future be overturned more speedily than the 16 years taken with the Birmingham Six.

However, dealing with alleged miscarriages should be the final step in ensuring that justice is done. More important are measures to reduce the chances of mistakes in the first place. That means overhauling the process by which crimes are investigated and convictions obtained. At present, the police are under pressure to clear up crimes by finding a culprit and extracting a confession, sometimes with inadequate corroborative evidence. The string of miscarriages has made juries suspicious of the police and reluctant to convict on such evidence.

Interrogation techniques

Rectifying this means shifting the emphasis from securing a conviction, however unsatisfactory. Some of the commission's recommendations will assist in this. For example, opening up forensic evidence to the defence should encourage more objective examination of this specialist material, which is often crucial to a case. Better training for the police in interrogation techniques would reduce the number of confessions that later turn out to be groundless. A more rigorous approach to identification of suspects will ensure that the defence learns about witnesses who have failed to identify the accused.

However, other recommendations made by the commission are less convincing and could further reduce public confidence in the system. In particular, the removal of the right to a jury trial seems ill-judged when there is so much concern about the criminal justice process. The rationale for the recommendation is that defendants who opt for trial by jury often end up pleading guilty and receiving the same sentence that would have been imposed by the magistrates' court. In some cases, their motive is to delay the day of reckoning, in others, the mistaken belief that they are more likely to be acquitted. But such behaviour can be deterred by offering lighter sentences for early guilty pleas – a form of plea bargaining that the commission sensibly advocates.

Adversarial approach

Similarly, requiring the defence to disclose its case before trial is an odd recommendation for a justice system which is based on the adversarial approach. Under such a system, it is the duty of the prosecution to prove the guilt of the accused and of the defence to throw doubt upon the prosecution's case. One option considered was a switch to the inquisatorial approach used in countries such as France, where judges supervise the prosecution case and the defence's duty is to co-operate in establishing the truth. Since the commission rejected switching to an inquisatorial system, requiring the defence to disclose its case appears to be seeking the best of both systems – potentially at the expense of the accused.

Indeed, many of the commission's recommendations seem more concerned with improving the likelihood of securing convictions than with restoring public confidence. It is certainly the case that locking up genuine criminals is as important as not locking up those who have been wrongly accused. However, it is clear that mistrust of the police and the courts is important in reducing the effectiveness of the system. By becoming more concerned with efficiency than justice, the commission may have missed an opportunity to improve both.

German unions are trying to build a consensus while protecting their national rights, says **David Goodhart**

A shifting market to test their metal

Germany's IG Metall, the world's most powerful trade union, is an unsentimental organisation. Six weeks ago, its charismatic leader, Mr Franz Steinkühler, was brought down by charges of insider trading. At a national conference on the future of pay bargaining one month later in Frankfurt his name was not mentioned once.

But the conference did more than emphasise that it is business as usual for Germany's 3.3m-strong engineering union. It also signalled that Germany's industrial relations system, battered by the deepest economic crisis since the war, is groping back towards the rational and consensual habits for which it was once admired.

The message to his members from 54-year-old Mr Klaus Zwickel, the new president of IG Metall, is clear: "For the next few years the room for manoeuvre on wages is going to be very limited." Union influence, he says, should be diverted into extending worker participation and influencing job structures. "Above all the new priority for our members is securing jobs," he adds.

But here, too, Mr Zwickel is coldly realistic. He is armed with the hard facts about industry's plans for lay-offs and restructuring from union members who sit on the boards of Germany's biggest companies. Mr Zwickel accepts that German industry faces "deep structural problems" and that manufacturing employment will fall "sharply".

This is not just conciliatory rhetoric after a period of unusually direct industrial confrontation. As German manufacturing sheds thousands of jobs every week, pushing unemployment to 3.27m last month, the union is not protesting or threatening strikes, as its UK counterparts did with little success in the early 1980s. Confronted by rising dole queues, the unions have moderated their pay claims. April's engineering industry pay rise of 3 per cent will probably mean a small fall in real incomes for most IG Metall members this year.

For Mr Zwickel and the German unions, it is a time for consolidation and even for tactical retreat, exemplified by recent IG Metall decisions to allow weekend working at one plant and a curtailment of benefits at a few others.

Yet the unions are operating from a position of relative strength. In the 1980s, while organised labour was in retreat throughout the industrialised world, union membership levels in Germany held firm at about 35 per cent. German workers also moved to the top of the world's hourly pay league and, thanks to IG Metall's successful campaign for the 35-hour week, now work the fewest hours per year of all industrialised nations.

The success story was crowned at the beginning of the 1990s by the wholesale transportation to east Germany of the west German industrial relations model: national bargaining and strong, industry-based unions combined with legally-backed works councils (with wide veto powers over management decisions) and workers on the board at company level.

Such was the hold of the consensus model and the commitment to unification that German employers agreed in 1991 to equalise wages between east and west by 1994.

Two years later the whole deal threatened to fall apart. The engineering industry employers tried unilaterally to revoke the wage deal. IG Metall, led by the physically imposing figure of Mr Zwickel, denounced the move as an attempt by the employers to use east Germany to try to break the entire national bargaining system and ultimately to bring down wage costs in the west. On May 3, he called his members out on strike.

"It was the first time in postwar German history that the employers had torn up an agreement," Mr Zwickel says, his booming voice shaking with emotion at the memory. He maintains that both sides knew the real issue was not how quickly wages should be equalised but the sanctity of national agreements covering wages and conditions – what Mr Zwickel calls "the living nerve of the German unions".

Union officials admit privately that equalisation of wages creates problems in an area like east Germany where there are huge differences in productivity between old and new plants. Some east German plants have productivity as low as 30 per cent of the west German average while, for example, General Motors' Eisenach plant has 150 per cent of western productivity.

When the IG Metall strike ended three weeks later, the union agreed to a delay until 1996 in the wage equalisation goal. Crucially, it also accepted "hardship clauses", allowing loss-making companies to opt out of the deal if the union agreed.

Preserving the overall agreement in Germany, even with a two-year delay, was a timely triumph for Mr Zwickel, a "metalworkers metalworker". He organised the strike with real unemployment close to 50 per cent in east Germany. Most members in the east were more concerned with job security than seemingly arcane "western" arguments about national agreements.

Mr Zwickel's direct and rather puritanical manner appealed to the rank and file in the east in a way that Mr Steinkühler's suave and haughty style did not.

For the new, more aggressive generation of German business leaders, Mr Zwickel will be just as formidable an opponent as his predecessor, especially as the union tries to push into new, white-collar areas to compensate for a shrinking blue-collar base.

Many of those employers believe that the more conciliatory noises emerging recently from IG Metall's glass box headquarters in Frankfurt are too little, too late. Some employers are already seeking more flexible local deals outside the central bargaining system, although most want to stay with the national agreement. The unwritten rule that wages rise in line with prices, plus a share of productivity, has served many of them well.

But many employers now argue there must be further decentralisation and labour flexibility if Germany is to compete, pointing to the yawning difference in wage costs in Germany and elsewhere in Europe: hourly wages in Hungary (in D-Mark terms) are one-tenth the German level and in Estonia one-hundredth. Mr Zwickel retorts that the German system fosters high skill and adaptability and, that on unit labour costs – combining costs and productivity – Germany is still cheaper than Britain, France and Italy and only slightly dearer than the US and Japan.

Even if Germany can remain competitive with western rivals, the attractions of low-wage eastern Europe mean that German companies are already moving jobs and investments east. The fear is, therefore, that Germany is now seeing not just recession-related job losses, but also more permanent structural unemployment.

Mr Zwickel dismisses the current demand by employers for a return to the 40-hour week, which he claims would increase unemployment by 800,000. Employer pressure to hold down the wages of unskilled labour and to negotiate at the plant level with more company-friendly works councils rather than the national union may be more difficult to resist.

Works councils are usually dominated by union members, but have been ahead of the national union in backing flexible working time arrangements. Thanks to that flexibility, the union can now boast that, as the working week has been cut, the running time of machines has actually increased. Mr Zwickel says that many employers have failed to exhaust the existing flexibility on working time.

"We reject a debate which is focused only on labour costs because we believe that 70 to 80 per cent of our problems stem from encrusted management structures," says Mr Zwickel, who is keen to improve product quality with "intelligent" team-working. He is not always sweet reason. The 12 requests by companies to implement the "hardship" clauses and thus to escape the overall wage agreement in east Germany have been rejected by the union. Six of them have now been ruled as justified by arbitrators – it is up to the union to decide if it accepts the ruling.

IG Metall may have held the line so far on its national agreements, but pressures on the union will remain intense. The union is at the cutting edge of the restructuring challenge facing the whole of German industry. It is not only German industry and the employers that have to adapt, IG Metall has to learn to juggle its inclination towards consensus and its desire to preserve traditional collective bargaining rights.

Solutions for a little local difficulty

PERSONAL VIEW

The town crier was in action in the city of York last month, celebrating the prospect of the return of the Ridings – Yorkshire's historic boundaries – and of the city once again having control over a greater part of its own affairs. It has been a similar story in Bristol and on Teesside, while in Lincolnshire there is probably quite quiet (naturally) satisfaction that there need be no change in the present local government arrangements.

There is thus a serious risk that the review of the structure of local government in rural England will end up doing some popular things. But popularity is not necessarily a recipe for sound public administration. And the councillors whose futures are threatened have been quick to criticise the Local Government Commission for England's proposals and to hire expensive lobbyists to convince local people to reject them.

The commission has clear objectives: to correct any mistakes that were made in the last reorganisation in 1974; to streamline the confusing and wasteful two-tier system of district and county councils – there is considerable overlap of functions and few people know who is responsible for what (or, indeed, who their local councillors are); and, most important, to equip local government to meet the challenges of the early decades of the next century.

In the words of a recent FT leading article ("Local counsel", June 17), this will require a system of local government capable of strategic action, and which combines local delivery of services with genuine electoral accountability.

In the British way of doing things, we are only looking at the structure and boundaries of local government in rural England, not the way the new authorities are to be managed, nor how they will be financed. But, despite the obvious dangers in such a fragmented approach, useful progress has been made – even if we have not been able to "reinvent local government", to borrow the fashionable transatlantic phrase.

In less than a year, we have examined five different areas with a combined population greater than that of Scotland. The 75 councils now involved spend more than £6bn a year – some three times the current budget of the Department of Trade and Industry – and they employ some 200,000 people.

In each area, we have sought to balance the sometimes conflicting requirements of community identity and interests, convenient and effective local services and costs. Our recommendations are based on people's stated feelings about where they belong. And we have put a range of structural choices to local people, recognising that any new structure must be grounded in popular understanding and support.

The commission's recommendations are based on people's stated feelings about where they belong

If our recommendations find favour with local people, the government and parliament, there will be 24 new unitary local authorities replacing 66 county and district councils. There will have been a reduction in indirect costs compared with the present arrangements of some 10-12 per cent, worth some £80m a year, or around £35 for every household. The average new authority will have a population of around 250,000, although some will be relatively small with populations of less than 100,000 and a few will be quite large – though still smaller than the county council areas they replace.

We have been dangerously open about our method and approach. We think that a unitary structure is generally to be preferred to the existing two-tier system; but we recommended no change where the system seems to work well. We have not invariably chosen the lowest cost structure; but we have not put forward recommendations that will add to the present cost of bureaucracy in the areas in question, since all the evidence suggests that this would be unacceptable to local people.

And far from local democracy going out of the window, there will be an improvement in democratic oversight compared with the present county councils, an enhanced consultative role for local (town and parish) councils, and maximum possible devolution of day-to-day management to the community level.

As we near the end of the first round of our work, several lessons are clear. People care much more deeply about their local government than is generally believed; we have been receiving as many as a thousand letters a day from a single review area.

There are few obviously right answers; in many places, the arguments between the alternatives are finely balanced. This is a time of great potential opportunity for English local government. But it could all too easily be lost in the morass of institutional politics – powerful vested interests are not going to go "quietly into the night".

Sir John Banham

The author is chairman, Local Government Commission for England

OBSERVER

Sic transit gloria

Hard to believe that but a month ago, Rolls-Royce reigned supreme on the streets of Tokyo when the newly-wed Crown Prince chose to parade his bride in a glorious open-topped model.

No such treatment for Britain's prime minister yesterday, however. John Major was able to kiss goodbye to any pipe-dreams involving a Japanese-inspired renaissance of his country's motor trade when, touching down for the G7 summit, he was promptly shovelled into a splendid, er, Mercedes Benz.

Why, exclaimed anguished UK expats, the Japanese government could at least have produced a Nissan, Toyota or Honda, all of which are now made in the UK as well as Japan. As does much these days, it apparently all boils down to security. The German tank seemingly possessed the requisite heavy armour plating.

Nice one, Willy

■ John Garrett, the Labour MP for Norwich South, is probably the only management consultant sitting on the Labour benches. But he's better known for banging on about how the only people who are doing well in Britain's civil service are white, male, public school, Oxbridge arts graduates.

Indeed, his fixation with the subject is so well known that William Waldegrave, who doubles up as a fellow of All Souls and Citizens' Charter minister, had no difficulty earning a cheap point at yesterday's select committee hearing on the civil service.

Cross-examined by Garrett about the percentage of top civil servants from Oxbridge, Waldegrave noted that the ratio of Garrett's fellow committee members who went to Oxbridge was far greater than in the case of permanent secretaries.

Counter-attack

■ Disturbing news from Norway. A 50-tonne sperm whale attacked a 30 foot whale "safari" boat off Norway's west coast last weekend. A group of German, Swiss and Italian whale-watchers escaped unharmed but the boat was badly dented. Following the failure of the International Whaling Committee to get Norway to scrap its minke whale-killing policy, is this the first sign that local whales are taking industrial action?

Wooing the Latins

■ Tristan Garel-Jones may have made himself frightfully unpopular with the opponents of Maastricht, but he went down pretty well in Latin America where they were notably less sensitive about the minister's role in guiding the treaty through the house.

So his departure from the foreign office in the May cabinet reshuffle appeared to leave a gap in the British government, which is trying to cosy up to Latin America now the continent's economic performance is looking up.

Into the breach, however, steps chief secretary to the treasury Michael Portillo. Also a fluent Spanish speaker, Portillo is at this very moment on a trip to Mexico and Chile with a group of British businessmen in search of export and investment opportunities.

At first blush, Portillo's direct treasury style might look a trifle dull beside the flamboyant Garel-Jones and his trade-mark cape. But Portillo does have some things going for him. A taste for the good life – and a liking for the odd glass of champagne – never goes down badly with Latin American elites. And, though he's on the political right, Portillo has other bases covered. His father fought against Franco in the Spanish civil war and there are plenty of Franco exiles scattered all over Latin America.

'Two parent families are over-rated'

Tit for tat

■ Is it the sun, or is it to keep out the peeping toms from across the square? Whatever the reason US investment banker Morgan Stanley seems intent on reversing the trend towards greater transparency in Britain's financial markets by shrouding its affairs in secrecy.

It is replacing the windows of its Cabot Square headquarters, in London's Canary Wharf, with reflective glass panes. As a result Morgan's rivals across the Square at Credit Suisse First Boston will no longer be able to train their binoculars on the firm's inner-most secrets. Expect CSFB to follow suit.

Eying up 3i

■ There may be no such thing as bad publicity but 3i, Europe's largest venture capital company, has decided that enough is enough. Battered by reports of its on-off flotation and bruised by comment about its inability to keep a chairman, it has decided that its image needs management.

Charles Richardson, 39, who has worked for 3i for 12 years and is currently regional director for the north and Scotland, has been appointed 3i's first director of corporate affairs.

Hard to know whether this is a promotion or a sideways move for Richardson. But there is rather less ambiguity about the role of Shandwick, whose long-term relationship with 3i has been one of the few fixtures in the fickle pr world. Dewe Rogerson, brought in to handle 3i's much delayed flotation, seems to be emerging as the senior media adviser, which must be all rather humiliating for what used to be the world's biggest pr company. After all it was 3i which gave Shandwick its first big break in business.

Which princess?

■ Ever wondered how far you can go on a River Thames pleasure boat from Westminster pier? Greenwich, Richmond, and Hampton Court are regular ports of call. But the shipping casualty report in yesterday's Lloyd's List notes that the Royal Princess was on a cruise from Amsterdam when it bumped in to Southwark Bridge on Sunday.

Had the skipper been on the helm too long?

FINANCIAL TIMES
Wednesday July 7 1993

EC monetary committee warns UK forecasts are too optimistic

By Lionel Barber in Brussels

THE British government has come under sharp criticism from its European Community partners for overestimating the impact of economic growth in curbing its £50bn ($75bn) budget deficit.

The challenge to the credibility of the government's plan surfaced during a meeting of the EC's secretive monetary committee composed of senior treasury and central bank officials from the 12 member states.

It is likely to reinforce the belief that tougher measures, including tax rises and/or spending cuts, may be needed to restore the worst deterioration in the UK's public finances since the 1976 sterling crisis.

Mr Kenneth Clarke, Britain's new chancellor of the exchequer, will be grilled about the government's plans for bringing the economy back into balance at next Monday's meeting of EC finance ministers.

The target of the monetary committee's criticism is the UK's "convergence" plan – the programme to make its economy ready for economic and monetary union by the end of the decade. The plan is based largely on measures announced in Mr Norman Lamont's last Budget in March.

Mr Jean-Claude Trichet, director of the French Treasury and chairman of the committee, led criticism of the UK government's plans. He challenged its argument that about 70 per cent of the deficit is "cyclical" and would therefore be reduced in the course of economic recovery.

In similar vein, the Organisation for Economic Co-operation and Development estimated last week that only half of the UK's budget deficit – now accounting for 8 per cent of gross domestic product – was cyclical. The other half represents a structural increase in spending.

British officials – including Sir Nigel Wicks, the UK representative on the monetary committee – were reported to have been taken aback by the attacks on the UK convergence programme.

Officials are scrambling to brief Mr Clarke so that he can present a robust response at next Monday's Ecofin meeting.

In a separate development, Mr Clarke can expect stiff questions about the government's medium-term financial strategy in relation to the Maastricht treaty's plans for economic and monetary union by 1997 at the earliest, or by the end of the century at the latest.

Under the government's plans, the public sector borrowing requirement is set to fall from about 8 per cent of GDP in this financial year to 3.75 per cent by 1997-98. This figure is above the treaty's 3 per cent target. Some member states have inferred that the UK does not believe in the early Emu timetable.

British officials retort that the UK Treasury is seeking merely to be realistic about the difficulties in reducing the deficit in the next five years. One diplomat noted that Mr Edouard Balladur, French prime minister, and Mr Theo Waigel, German finance minister, had raised doubts about the 1997 Emu target date.

Attali likely to be given £147,000 payoff by EBRD

By Robert Peston and David Marsh in London

MR Jacques Attali, who is resigning as president of the European Bank for Reconstruction and Development, is likely to receive a tax-free payoff of more than £147,000.

Mrs Anne Wibble, chairman of the bank's governors who was in London yesterday to discuss Mr Attali's compensation arrangements and procedures for finding his successor, said she expected Mr Attali to receive a year's salary as an allowance for termination of employment.

Mr Attali's letter of appointment, signed by one of Mrs Wibble's predecessors, Mr Wim Kok, says his "annual net base salary" is £147,000. Mr Attali has had a pay rise since then. "It seems clear it [the payoff] will be paid", she said.

Mr Attali resigned on June 25, following months of criticism of expenditure by the bank.

Mr Attali's letter of appointment says he is entitled to "a termination allowance equivalent to one year's net base salary" unless the bank's governors terminate his contract "for cause".

Mrs Wibble, Sweden's finance minister, said a decision on whether to pay Mr Attali the termination allowance would therefore depend on the outcome of the investigation into alleged overspending at the bank by the EBRD's audit committee, due to be completed by mid-July.

She said Mr Attali would remain at the bank until a new president arrived, which she hoped could be in September. Governors, representing the governments of 54 countries and agencies which own the bank, have until July 21 to nominate candidates and the election period lasts 21 days from then.

Mrs Wibble ruled out the idea of an interim president being chosen to run the bank before a permanent successor arrives, although a number of the bank's executives have been campaigning internally for an interim appointment.

Bank executives and directors believe that Mr Jacques de Larosière, governor of the Banque de France, will succeed Mr Attali.

British right to jury trial under threat

Continued from Page 1

Although the right to be tried "by God and my peers" is seen as one of the UK's most important conventions, it does not have the constitutional status it has had since 1968 in the US, where a jury trial is a right in all criminal cases in which the penalty may exceed six months in prison.

Moves to end jury trials – combined with other recommendations for the introduction of a system of sentence discounts for early guilty pleas and a new requirement on defendants to disclose their case to the prosecution before trial – prompted lawyers to suggest the commission had been more concerned with efficiency than justice.

But the commission, set up in March 1991 after a series of miscarriages of justice had rocked public confidence in the criminal justice system, also made a number of recommendations to prevent further such cases. Most of the proposals were welcomed by the police.

The legal profession's verdict on the commission, which examined the legal systems in more than 13 countries during its two-year £2.5m ($3.8m) inquiry, was that it had failed both to analyse why recent miscarriages of justice had occurred and to make sufficient recommendations to prevent them in future.

The Law Society, the body representing most UK solicitors, accused the commission of a lack of vision. Mr Charles Elly, the society's deputy vice-president said it had "chosen to steer a middle course rather than take a strategic review".

The report was, however, welcomed in the House of Commons by Mr Tony Newton, leader of the House. Mr Michael Howard, home secretary, is expected to give his detailed reaction in a speech to the Association of Chief Police Officers' conference in Birmingham tomorrow.

Clashes between South Africa rivals leave 116 blacks dead

By Patti Waldmeir in Johannesburg

RIVAL BLACK groups fought running battles in the streets of two South African townships yesterday, pushing the nationwide death toll in the past four days of fighting to at least 116.

A junior official of the African National Congress claimed that the violence was an attempt to sabotage the transition to democracy after last week's multiparty agreement to set a date for the first multiracial elections.

Mr Ronnie Mamoepa, an official of the ANC's Johannesburg region, said: "It is an attempt to blackmail the country, with the blood of our people, into delaying the advent of democracy."

But peace monitors in the twin townships of Thokoza and Kathlehong near Johannesburg, where over half the killings have taken place, played down suggestions that the violence was directly connected to the election date.

They said rival factions in the two neighbouring townships, which owe broad allegiance to the African National Congress and the Inkatha Freedom Party respectively, have fought many bloody battles since 1990, with many hundreds killed. Political rivalry explains only part of the motivation of the killings, which often follow a cycle of revenge, with each new death prompting further murders.

The two rival groups – residents of the Phola Park squatter camp and of the migrant worker hostels – are also divided along ethnic lines, with the former group mainly Xhosa and the latter mainly Zulu.

Peace monitors said violence was often sparked by attacks from unidentified gunmen whom they suspected had right-wing connections. No such incident, however, was reported during the latest outbreak, and neither they nor the ANC had any evidence of who was involved.

They blamed police for abandoning their posts in the two townships, saying police had pulled out overnight and only returned in the morning to collect 20 more dead bodies.

Violence seems certain to increase once the political parties begin active campaigning for the elections, due on April 27 next year. Mindful of this, Mr Nelson Mandela and Chief Mangosuthu Buthelezi, the leaders respectively of the ANC and Inkatha, held a peace summit 10 days ago in an attempt to tame the violence.

Eyewitness report, Page 7

THE LEX COLUMN

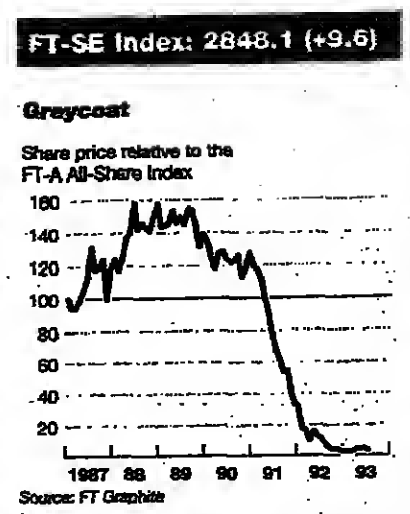
Postel delivery

By riding to the rescue of Greycoat, Mr Alastair Ross Goobey, Postel's new boss, is indulging a long-standing fascination with property. Given Mr George Soros' joint venture with British Land, and the spate of rights issues in the sector, he is not alone in regarding commercial property as cheap. But it is hardly routine for one of the nation's biggest pension funds to assume control of a listed company. Underwriting Greycoat's rights issue suggests greater enthusiasm for the prospects than that mustered by his peers.

Ordinary shareholders will suffer dilution, but the more difficult task may be winning the support of bond and preference share holders – not to mention the banks. The approval of each is required. The rally in Greycoat's preference shares on Monday, on the assumption that they would be spared any serious sacrifice, now looks especially misplaced. The nominal value of the prefs is to be more than halved, future interest payments cut, and deferred interest lost. Greycoat could yet be undone by its proliferation of capital instruments.

Without the promised asset valuation the fine details are difficult to assess. If net assets have fallen anywhere near to the £80m minimum demanded by Postel for the deal to go ahead there would be precious little left over once the banks had exercised their security. That should focus the minds of bondholders. The more interesting question is why Postel is going to the trouble of taking control instead of letting Greycoat sink and buying the best of the assets on the cheap from the banks.

FT-SE Index: 2848.1 (+9.6)



Source: FT Graphite

effect. Changing such organisations requires tremendous management momentum. Replacement of key personnel, a clearly defined and vigorous strategy from the board and action across a wide front are all needed if the initiative is not to be smothered with bureaucratic inertia. Witness the very different but determined approaches of Mr John Hoerner at Burton and Mr Archie Norman at Asda, who have certainly generated the impression of activity.

Mr Strong has been slower in that regard. While such things are partly a matter of marketing, that is after all, Mr Strong's speciality. As yet it is too early to say that the Sears experiment has failed. Unless results are forthcoming, however, the time may not be far off when the question will be asked.

Sears

Sears' sale of its stake in Asprey and moves to start closing Ter Meulen Post are useful bits of corporate housekeeping. In particular the cutting of ties with Asprey underlines that Sears' chief executive, Mr Liam Strong, has the authority to unwind decisions originally taken by Mr Geoffrey Maitland Smith, the chairman. Still, the habit of tidiness is not enough when it comes to squeezing an adequate return from Sears' slumbering assets. The poor experience in the newly acquired Dutch mail order business also suggests that accidents continue to happen.

Part of the problem faced by Mr Strong at Sears is knowing where to start. So far his efforts have been focused on British Shoe, to some

3i

There is some justification in 3i's satisfaction with yesterday's annual results. The group has managed to keep investing during the recession, though one has to take it on trust that it is only taking on good quality business; its cost-cutting efforts are beginning to pay off; and its balance sheet is strong enough for it to take advantage of the recovery. These, though, are all also reasons for disappointment at the delay in its flotation.

The past year saw a sharp rise – to £115m from £89m – in profits from the realisation of investments. Evidently 3i's clients have decided that now is a good time to cash in, a view which is also reflected in the number of new issues coming to the stock market. Its shareholders, by contrast, are hanging on for more. This is not just because there is no longer any need for a fire sale to help the Midland Bank. They seem genuinely to believe that greater value may be had by waiting.

This may yet prove rash. The value of its portfolio should grow with recovery. Provisions should also fall from last year's £171m, including the appalling £72m on Isosceles which 3i seems all too anxious to shrug off. But UK demand for venture capital remains weak, while 3i's relative inexperience in continental Europe makes now a risky time to be stepping up involvement there.

Recovery has seen a narrowing of the discount to net assets at which quoted venture capital investment trusts trade. Given its conservative valuations, 3i might not reap much advantage from this trend. It will serve 3i's shareholders right if they become so greedy they end up losing out.

Granada/LWT

Granada's acquisition of a further slice of LWT only makes sense as a stepping-stone to the wider restructuring of commercial television. As a trade investment alone the holding hardly makes sense, not least because Granada is buying LWT shares at an unusually large price-earnings premium. The financial risk is limited if Granada is eventually forced to sell back to the market. But that would still tarnish the record of Mr Gerry Robinson, which has been unblemished since he took the helm.

Mr Robinson's reading of government is clearly that an industry rationalisation is on the cards. He is betting his reputation as well as cash on that outcome.

Executive pay

As the last of the electricity companies finally brings down the curtain on this year's main results season, an irritating trend is visible. Embarrassed executives are increasingly refusing to discuss their pay when they announce their preliminary results, arguing that the information will be disclosed in the annual report.

Since most publicity is focused on the preliminary results, and annual reports are not normally newsworthy, this is a pretty clear attempt to avoid the limelight. Perhaps future artful dodgers will get the publicity which their shyness and pay rises really deserve.

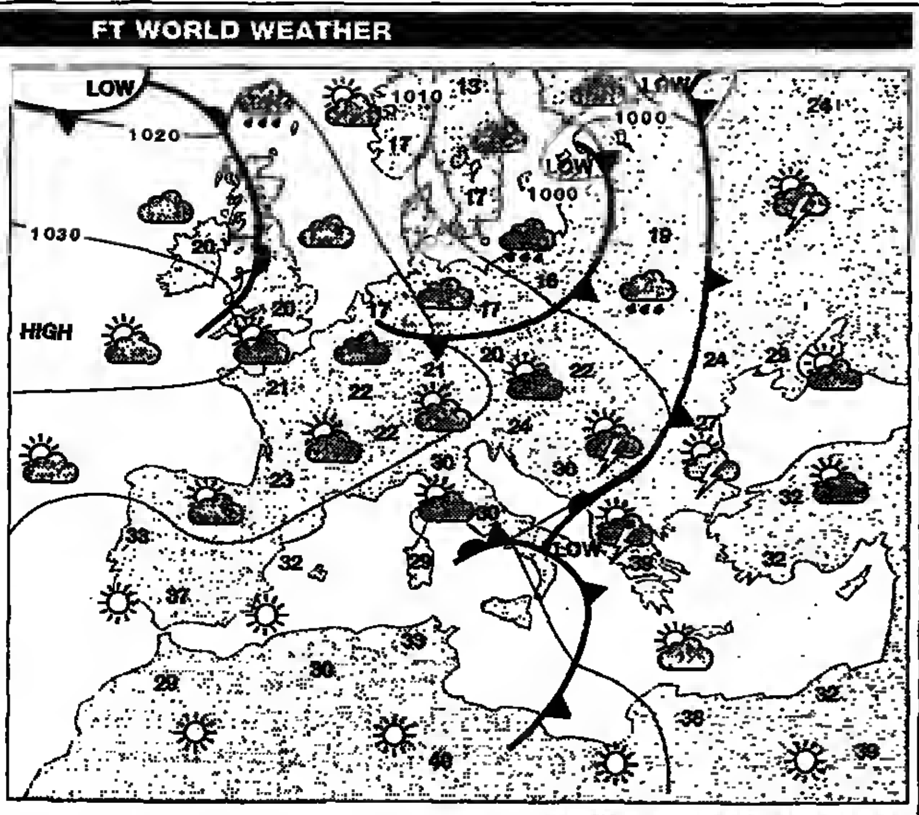
FT WORLD WEATHER

Europe today

Tropical temperatures will be noted in far southern Europe. Some afternoon readings in Greece and Spain will rise to 35C-39C. Colder air has pushed into the Low Countries, Germany, Poland and the Baltic states giving maximum temperatures of 15C-20C. A frontal zone will extend from Italy into Russia and will influence south-eastern Europe with several thunder showers. In Scandinavia, the northerly air flow will bring cloudiness and scattered rain in northern and central areas, but in southern Norway and Sweden some sunshine will occur. Most of France will be rather sunny, with some clouds in the north-east.

Five-day forecast

An active low pressure area between Iceland and Scotland will slowly move eastward whilst deepening. It is expected to reach the coast of Norway by the weekend. The associated frontal zone will cause some heavy rain in the UK on Thursday, spreading toward south-western Scandinavia by Friday. The depression will also cause cool and unsettled conditions over north-western and northern Europe. Southern Europe will remain warm.



TODAY'S TEMPERATURES

Forecasts by Meteo Consult of the Netherlands

		Maximum Celsius
Abu Dhabi	fair	38
Accra	shower	27
Algiers	fair	30
Amsterdam	fair	17
Athens	fair	37
Bangkok	rain	36
Barcelona	sun	26
Beijing	fair	27
Belfast	cloudy	20
Belgrade	thund	23
Berlin	shower	18
Bermuda	fair	29
Birmingham	fair	20
Bogota	fair	18
Bombay	rain	32
Bordeaux	sun	25
Brussels	fair	20
Budapest	thund	23
Buenos Aires	fair	10
Cairo	sun	39
Cape Town	shower	19
Caracas	fair	26
Chicago	thund	29
Cologne	cloudy	19
Copenhagen	fair	19
D' Salaam	fair	29
Dakar	fair	30
Dallas	windy	35
Darwin	fair	30
Delhi	fair	39
Dubai	fair	37
Dublin	cloudy	20
Dubrovnik	thund	30
Edinburgh	cloudy	21
Faro	sun	28
Frankfurt	shower	23
Geneva	fair	22
Glasgow	drzzl	18
Hamburg	shower	16
Helsinki	cloudy	18
Hong Kong	fair	31
Honolulu	fair	30
Isle of Man	cloudy	18
Istanbul	sun	32
Jersey	fair	20
Karachi	fair	35
Kuwait	sun	44
La Paz	fair	18
Las Palmas	cloudy	25
Lisbon	sun	35
London	fair	21
Los Angeles	fair	26
Luxembourg	cloudy	20
Lyon	fair	22
Madeira	cloudy	24
Madrid	sun	33
Majorca	sun	30
Malta	sun	31
Manchester	cloudy	19
Manila	cloudy	33
Melbourne	cloudy	11
Mexico City	shower	22
Miami	fair	32
Milan	fair	29
Montreal	fair	29
Moscow	thund	21
Munich	cloudy	21
Nairobi	fair	24
Naples	sun	31
Nassau	fair	32
New York	fair	33
Nice	sun	28
Nicosia	sun	35
Oslo	fair	21
Paris	fair	22
Perth	fair	18
Prague	rain	20
R' de Janeiro	fair	21
Rangoon	rain	31
Reykjavik	cloudy	11
Riyadh	sun	41
Rome	sun	29
S' Francisco	fair	24
Seoul	rain	29
Singapore	thund	31
Stockholm	cloudy	19
Strasbourg	cloudy	23
Sydney	fair	19
Tel Aviv	sun	35
Tokyo	shower	25
Toronto	shower	28
Tunis	sun	33
Vancouver	sun	21
Venice	fair	27
Vienna	shower	22
Warsaw	rain	18
Washington	fair	34
Wellington	fair	9
Winnipeg	cloudy	21
Zurich	shower	22

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday July 7 1993

INSIDE

KHD looks to VW for cost-cutting ideas

Klockner-Humboldt-Deutz, the Cologne-based engineering group, is to adopt the Volkswagen group's cost-cutting techniques in an attempt to restore growth. The company expects to break even for the second year in succession. Page 16

Northwest placates pilots

Northwest Airlines, the US carrier, has staved off a bankruptcy filing by reaching an agreement with its pilots' union. Page 17

Music to investors' ears

Gaylord Entertainment's The Nashville Network is one of the most successful US cable channels and a second network, Country Music Television is among the fastest growing. Since the country music company, which owns the Grand Ole Opry, went public in 1991 its share price has soared from $20.50 to around $45. Page 18

Developing Portuguese bonds

With the issue last week of Portugal's 10-year bond, the Portuguese debt market now has maturities ranging from two years to 10 and is expected to have a bond futures market by next year. Page 19

Lonrho in popularity drive

Lonrho, the international trading conglomerate, has recruited James Capel as its joint stockbroker to rebuild better relations with institutional investors. Lonrho has dismissed reports that it wants a rapprochement with the City as part of a longer-term goal of seeking funds via a rights issue. Page 20

BT registrations total 5.2m

The total number registered for the sale of the government's remaining holding in British Telecom is 5.2m compared with 5.25m in 1991. Page 21

Surge in diamond sales

Diamond sales by De Beers, the South African group which dominates the market, reached $2.54bn in the first half of this year, a 42 per cent increase on the first six months of 1992. However, De Beers said that "it would be unwise to look upon the increased level of sales for the first half as a reliable guide to 1993 as a whole". Page 22

Greek market welcomes sugar

The list of Greek companies wanting to go public is lengthening but the market's weak performance over the past two years has acted as a deterrent. However, last week saw the first new issue in over a year – the listing of Hellenic Sugar Industry, the state-owned sugar beet processor – and the issue was 4.3 times oversubscribed. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Heidelb Zem	1165	+	35
Industrie Werke	325	+	6
KSB	108.7	+	3.8
Falls			
Asko Prf	502	-	16
Lufthansa	558	-	17
Volkswagen Prf	288.5	-	4.2
NEW YORK ($)			
Rises			
Apple Computer	36⅞	+	⅞
Belle Mountain	15	+	¾
Chrysler	40⅝	+	1⅛
Gen Motors	44⅞	+	1⅛
Gen Mills	59¾	+	1¼
Falls			
Tandem Computer	10¼	-	1⅛
New York prices at 12.30.			
PARIS (FFr)			
Rises			
Air Liquide	743	+	18
BIC	805	+	24
Falls			
Bis	1851	-	40
Gaumont	475	-	23
Usinor Sacilor	580	-	15
Worms Cie	273.9	-	6.6
TOKYO (Yen)			
Rises			
Fuji Spinning	561	+	23
Kikkoman	1030	+	41
Minebea	547	+	22
Mitsukoshi	878	+	33
Tosoh	744	+	52
Falls			
Godo Steel	610	-	23
LONDON (Pence)			
Rises			
Ambient	27½	+	3
Belhaven	278	+	16
Carclo Eng	236	+	12
Demand	53	+	15
Cliff Res	38	+	2½
Gray Elec	162	+	5
Gold Lyons	98	+	9
Lex (Arthur)	180½	+	9½
Lyles (S)	92	+	8
Perpetual	511	+	21
Ramco Oil	121	+	9
Sercx	973	+	30
Sterling Publ	153	+	13
Transtec Tech	534	+	21
Westland	221	+	7
Falls			
Costa Cos	48	-	3
Edmond Hldgs	15	-	4½
Greyc't 5% Pf	39	-	12¼
Kode Int	184	-	9
McKay Sec	115	-	7
New London	5¾	-	2¾
P&P	74	-	5
Tepnel Diagn	203	-	12
Tomorrows Leis	18	-	3

Merged German group in DM320m deficit for first six months

Krupp-Hoesch hit by steel losses

Gerhard Cromme: merger could sava DM300m in steel division

By Ariane Genillard in Essen

KRUPP-HOESCH, the merged German steel and engineering group, continued its downward slide in the first six months of the year, recording a DM320m ($189.3m) loss.

The company's poor results were blamed on heavy operating losses and reorganisation costs in its steel division.

These are the first consolidated figures for the new company created when Krupp and Hoesch, the second and third-largest steel producers in Germany, merged in the middle of last year. The merger was formally approved by shareholders in May this year.

The first-half loss compares with an aggregate deficit for the two groups of DM250m for the whole of 1992, down DM682m compared with 1991. In the steel division alone, the two groups recorded an aggregate loss of DM450m in 1992.

Orders for the first six months fell by between 10 and 15 per cent. Besides the steel division, the mechanical engineering side wes adversely affected, with orders falling by more than 25 per cent.

Mr Gerhard Cromme, chief executive, said the six months' losses came mainly from the steel division. Taken together, the company's other operations had broken even. These included machinery, buildings, automotive parts and trading services.

He said Krupp-Hoesch would continue to record heavy losses in the second half – although lighter than those of the first six months – as drastic restructuring measures took effect.

An estimated 11,000 workers were expected to be made redundant this year, bringing total employment to less than 80,000, Mr Cromme said. In 1992, the two groups together cut 6,000 jobs.

The measures include closing the Rheinhausen steel mill in the Ruhr Valley, where 2,200 are employed. The plant is due to shut its doors on August 15.

Mr Cromme said the rationalisation and economies of scale associated with the merger would sava Krupp-Hoesch up to DM500m over the next few years. More than 70 per cent of the business areas of the two companies were related or comparable. In the steel division alone, tba merger would save an estimated DM300m.

Mr Gerhard Jooss, financial director, said the company's total debt could rise to more than DM5bn by the end of the year, from its current DM4.7bn.

In 1992, aggregate sales for the two groups fell by around 9 per cent to DM23.2bn. Steel products and trading services together accounted for 50 per cent of turnover. Spare parts for the automotive industry represented 25 per cent.

Finnish group strengthens its hand outside Europe

Nokia moves to concentrate on telecoms

By Hugh Carnegy and Andrew Adonis in London

NOKIA, Europe's biggest manufacturer of cellular mobile telephones, moved yesterday to strengthen its position in the Far East and the US by buying out its partner in two joint ventures.

The purchases continue the Finnish group's efforts to focus on telecommunications and to lessen its dependence on electronics.

> **'We have changed towards being a telecoms company and that will continue'**
> *Jorma Ollila, Nokia chief executive*

Nokia has bought for $31.5m the 50 per cent stakes held by Tandy Corporation, of the US, in two mobile telephone manufacturing joint ventures in South Korea and Texas.

It is also selling its two electrical wholesale units in Finland to Otra, of the Netherlands, one of the world's largest electrical wholesale groups. The deal is understood to be worth $23m.

"We beve changed dramatically in the past few years towards being a telecommunications company and that will continue," said Mr Jorma Ollila, Nokia's chief executive.

The moves follow the completion by Nokia last week of the placement with international investors of 6m preference shares, which raised FM954m ($173m) to help finance tbe group's shift away from televisions and other consumer electronics, whicb have suffered severe losses in recent years.

About half of Nokia's sales, whicb last year reacbed FM18.2bn, are now accounted for by telecoms. Strong growth in telephone system and mobile telephone sales enabled tha group to return to profit in the first four months, despite continued beavy losses in consumer electronics which still make up about a third of group sales.

In the US, Nokia has a 20 per cent share of the cellular telephone manufacturing market, second to Motorola.

Nokia began making mobile phones in South Korea with Tandy in 1984 through a company called TMC which now produces 8 per cent of world cellular pbone output. They repeated the formula last year in Fort Worth, Texas, with TNC.

However, Tandy's decision to pull out of manufacturing prompted Nokia to buy out its partner's shares. Mr Ollila said the ventures would continue to supply Tandy label telephones to Tandy retail outlets, whicb would continue to market Nokia label machines.

Nokia's SLO Tuottajain Kone wholesale electrical outlet in Finland, sold to Otra, accounts for about one third of turnover in the group's cable and machinery division, whicb in turn makes up about 25 per cent of Nokia's overall turnover.

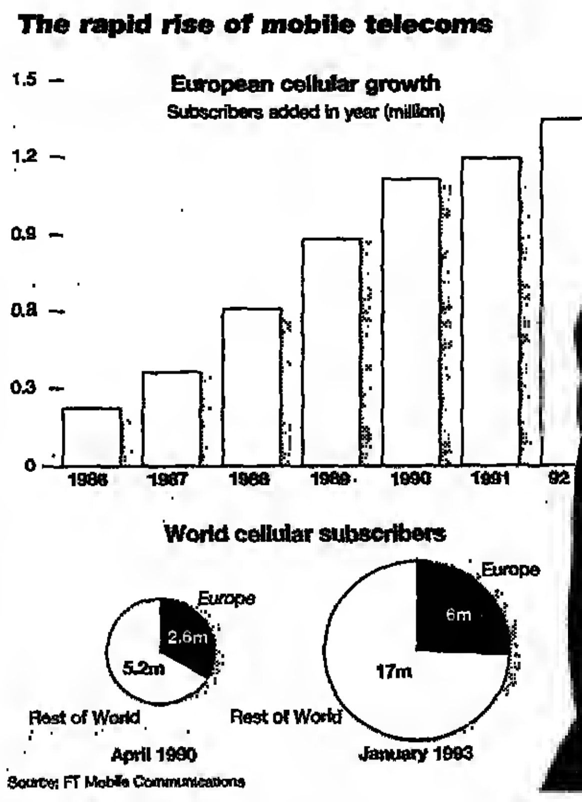
With the international market for mobile telecommunications booming, Nokia's decision to concentrate its resources in the field is unsurprising.

The number of subscribers to cellular networks worldwide rose by 43 per cent last year, taking it to 23m in January, according to the FT Mobile Communications newsletter.

Growth was driven by markets in North America and south-east Asia, with subscriber numbers rising by 46 per cent in the US, 54 per cent in Australia, 56 per cent in South Korea and more than 400 per cent in China, where it still stands at less than 50,000.

Although last year saw a slowing of growth in Europe, Nokia's strongest market, momentum is likely to be regained this year with the introduction across the continent of new digital networks operating to the pan-European GSM standard, and competitively priced "low user" programmes geared to the consumer market.

The rapid rise of mobile telecoms



Source: FT Mobile Communications

Ashton Mining floats gold interests

By Bruce Jacques in Sydney

ASHTON Mining, the Australian diamond miner, plans to swell the nation's heavy schedule of private equity raisings with the A$112m (US$75m) flotation of its gold production interests.

Asbton directors announced yesterday the company wonld consolidate its Australian end Indonesian gold interests into a company called Anrora Gold, and initially make a placement to institutional shareholders.

Private investors would then be offered 25 per cent of the placement shares, with Ashton retaining a 30 per cent stake in Aurora, which would potentially rank among the top 10 Australian gold producers.

Ashton, 47 per cent controlled by Malaysian Mining Corporation, is a partner in the Argyle diamond mine in Western Australia.

Ironicelly, the company appeared to be moving its investment strategy away from gold as recently as March this year.

At that time, directors said the company would focus on opportunities in the diamond sector and place its Mount Muro gold mine in Indonesia out to tender.

But that was when the gold price was languishing et around $327 an ounce.

Since then, the price has strengthened by around 20 per cent, prompting a minor rush by investors for Australian gold stocks.

The gold price jump was seen by analysts last night as the main factor prompting Ashton's change of beart.

Assets likely to be offered in the Anrora float include Mt Muro and interests in the Laverton, Harbour Lights and Bardoc properties in Western Australia.

Ashton's share of gold production from these properties rose from 131,465 oz to 135,307 oz in the past year.

Mt Muro has the potential to produce around 150,000 oz a year.

Ashton shares yesterday closed 6 cents higber at A$2.22 on Australian stock exchanges.

Its directors said yesterday that terms of the institutional offer were being finalised. Documentation was expected to be signed on July 8.

The institutional placement of Aurora shares will be underwritten by Ord Minnett, the Australian stockbroker.

Asprey to gain full listing as Sears sells 25% stake

By Richard Gourley in London

SEARS, the UK retailer has sold its stake in Asprey, the jewellery group, for £92m ($138m) in a deal that will also allow the USM-quoted jeweller to graduate to the main market.

Separately, Sears said it would close its Dntch mail order business, Ter Muelen Post, having decided it could not be turned around.

Sears said Asprey was not central to its strategy, nor was it able to exercise control over its investment. The sale of tbe Asprey stake will produce a pretax profit of £7m. The £5.5m cost of closing Ter Muelen, includes £1.8m in operating losses to June this year, redundancy costs and asset write-offs.

Smith New Court is understood to have placed the 20.3m ordinary Asprey sbares, representing a 25.38 per cent stake, with about 40 institutions at 267p after taking the stock on to its books in a bought deal. Collins Stewart converted Sears' preference shares to net 8.25 per cent prefarence shares which were also placed with institutions.

The wider share distribution will allow Asprey, capitalised at £230m, to achieve a full listing. Mr John Asprey and family trusts increased their stake to nearly 52 per cent through the purchase of 1.1m additional shares yesterday.

Mr Naim Attallah, Asprey chief executive, said the group would now concentrate on growing organically. Since taking control in 1988, Mr Attallah has led an expansion that included the 1990 purchase of the Mappin & Webb and Garrard shops from Sears for preference shares, and Wetches of Switzerland from Ratners. "It is a time for consolidation, although we are planning to open Mappin & Webb in Pragua and probably in Shanghai," he said.

Asprey reported a pre-tax profit in the year to end-March of £21.63m (£19.36m) on sales up 35 per cent at £144.72m. Some £23m of this arose from eales in acquired companies.

Earnings per share fell from 15.14p to 14.44p and the group is to pay a final dividend of 4p (3.75p) giving a total for the year of 5.1p (4.85p). Asprey said earnings had suffered from the return to a normal tax charge and margin erosion.

Mr Ken Teylor, Smith Naw Court sales director, said that before yesterday's share placing Asprey had not had a serious institutional following. The Sears' sale had increased the free float in the shares by 200 per cent.

Postel rescues property group

By Vanessa Houlder, Property Correspondent in London

POSTEL, tbe UK's largest pension fund, yesterday announced plans for a £120m ($180m) rescue package for Greycoat which will give it up to 87.7 per cent of the troubled property company. The proposals underline the increased enthusiasm for UK commercial property among institutions, which consider that property offers good value as the market stabilises.

"We are getting a geared interest in a top quality portfolio when the market is turning," said Mr Alastair Ross Goobey, chief executive of Postel.

Postel justified the unusual step of taking a large stake in a single company by pointing to its expertise in proparty, which accounts for £2.3bn of its £20bn assets under management.

The deal may give Greycoat a new lease of life as a developer. The decline in property values has plunged it into financial difficulties, which will force it into administration unless it succeeds in a refinancing.

Analysts were divided yesterday on whether Postel was picking up a bargain. "This is a backdoor takeover by Postel at the expense of bondholders and shareholders," one said. Others emphasised that Greycoat would remain a highly geared company, and that Postel was risking a setback in ths property market. Greycoat, which owns property worth about £500m, indicated yesterday that it had net assets of at least £80m.

In a complex deal, Postel is underwriting a £58.9m rigbts issue of ordinary shares at 12.5p and a £6.25m preference rights issue. Greycoat is also placing £4.5m of shares with Postel and issuing it with warrants. The proposals involve sacrifices by bond holders, preference shareholders and ordinary shareholders.

Postel, which owns 5.4 per cent of Greycoat, will increase its stake to between 27.2 per cent and 87.7 per cent, depending on the take-up of the rights issue, although it intends to dispose of enough shares to allow Greycoat to keep its listing. Mr Ross Goobey and another Postel director will join Greycoat's board.
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KHD puts pressure on suppliers to cut costs

By Christopher Parkes in Frankfurt

KLOCKNER-Humboldt-Deutz, the Cologne-based engineering group, is to adopt the Volkswagen group's cost-cutting techniques in an attempt to restore growth.

The company said yesterday that it expected to break even this year for the second year in succession despite a slow first half. But capacity and costs had to be reduced further.

All expenditure would have to be cut, including spending on materials, fixed and personnel costs and interest payments. However, most effort would be focused on significantly lowering procurement costs.

Outside suppliers were expected to accept the necessary changes and use the opportunities for greater co-operation with KHD, the company said.

The group's plans, which include the loss of 2,000 jobs, will be spelt out in greater detail at the end of next month.

They appear to match closely the projects under way at VW, where protesting suppliers have been asked for price cuts of up to 30 per cent.

Mr Werner Kirchgässer, chairman, warned of impending action last month when he said sales for the first five months of the year were down 21 per cent and incoming orders were 25 per cent lower than a year earlier.

The company said no improvement in its main markets could be expected in the near future, adding that current difficulties were likely to persist into 1994.

As well as feeling the effects of industrial recession, KHD has been badly affected by cuts in the European Community's spending on agriculture, which have hit sales of tractors and other agricultural equipment.

KHD made its last dividend payment in 1986 and is not expected to resume pay-outs until 1996 at the earliest.

● Group earnings at Commerzbank, Germany's third-largest bank, rose by 15 per cent in the first five months of the year, Mr Martin Kohlhaussen, the bank's chief executive, said yesterday, writes David Waller in Frankfurt.

However, partial operating profits – excluding own-account trading profits – remained unchanged compared with the same period last year.

The chairman's remarks amplified his observation last month that there had been a "double-digit" increase in profits between January and May.

He explained that the growth came largely from own-account trading in foreign exchange and securities.

The unchanged operating profits reflected an 8 per cent increase in administrative costs as well as reduced credit demand from Germany's recession-weakened industrial sector.

Granada lifts LWT stake to near 20%

By Raymond Snoddy in London

GRANADA, the UK leisure, television and computer services group, yesterday increased its stake in London Weekend Television to just under 20 per cent, the maximum possible under broadcasting legislation.

The deal means Mr Gerry Robinson, Granada chief executive, has invested around £84m ($126m), at £5 a share, in the weekend television station stake.

The completion of the deal – it was always Granada's intention to take its investment up to the maximum – came a day before talks between Mr Robinson and Sir Christopher Bland, LWT chief executive.

The two will explore co-operation and cost savings between the two companies.

"We just want to see where we go from here," said Mr Robinson.

Under the 1990 Broadcasting Act, the nine largest ITV companies, including Granada and LWT, are forbidden from taking each other over.

The National Heritage Department, following a meeting with the chairmen of the ITV companies, is considering the case for a relaxation of the rules, but it is not yet clear whether the government has decided to make such a move.

A number of ITV companies, mainly potential takeover targets such as HTV and Anglia, are opposed to a relaxation of the rules.

Granada's increased stake in LWT has galvanised the London financial community. Shares of a number of ITV companies have risen on the back of takeover speculation.

Sir Christopher and Mr Robinson last night rejected any notion that today's talks might include even exploratory conversations on a future merger. "You can't agree a non-bid and we don't intend to," said the LWT chairman.

Granada believes that a rationalisation of the ITV ownership structure is inevitable.

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Snia, Rhône-Poulenc in new link-up

By Paul Abrahams in London and Haig Simonian in Milan

SNIA FIBRE of Italy and Rhône-Poulenc of France yesterday announced plans to merge their textile nylon businesses, continuing the restructuring of the European fibres industry.

The deal, if concluded, would create Europe's largest textile yarn manufacturer, with annual sales of about FFr2.6bn ($450m). It follows Du Pont's acquisition of ICI's fibres operations, which was completed last week.

Snia and Rhône-Poulenc already have a carpet fibre joint venture which is the second-largest European manufacturer.

In the latest venture, Snia claims to have 17 per cent of the west European market, while Rhône-Poulenc is to contribute about 20 per cent. The 50-50 joint venture will have a capacity of about 100,000 tonnes a year.

Although west European capacity is more than 350,000 tonnes a year, demand is only 240,000 tonnes, according to the Committee of Rayon and Synthetic Filament.

The French company said it did not expect difficulties from competition authorities, because Europe had to be able to compete against Asian manufacturers. Du Pont has about 25 per cent of a market which is growing at only 2 per cent a year because of competition from other fibres such as polyester. Radici of Italy is the third-largest manufacturer.

The consolidation will put pressure on the remaining small manufacturers in Italy, Spain and Germany. Mr Robin Anson, of Textiles Intelligence, the market research group, said the deal would allow some rationalisation of the two groups' activities.

"Integrating our respective nylon textiles activities will allow us to optimise synergies in research, production and marketing, with the aim of reinforcing our position in the European market," said Mr Michel de Rosen, managing director of Rhône-Poulenc fibres operations.

Rhône-Poulenc said the two businesses, which employ about 3,000 people, were complimentary. Snia was strong in nylon 6 and had considered building a plant to make nylon 66. This is where the French company is strongest. Snia's operations are mainly in Italy, while Rhône-Poulenc's are in Germany and France.

The French group's fibre operations in Brazil and Slovakia are not included in the deal.

Time out for Benetton game plan

The sports side may not be ready for investors, writes Haig Simonian

ITALY'S Benetton family may be having second thoughts about pressing ahead with the planned flotation of its growing sports activities on the New York Stock Exchange, in spite of the successful example set by the Fila sports group in May.

Fila, best-known in Italy for its up-market sports clothing and, in the US, for its footwear, listed 30 per cent of its ordinary shares on the Big Board in a deal which raised about $135m for Gemina, the Fiat-controlled investment group which owns it.

Some bankers believed Benetton Sportsystem, the holding company established this year for the family's bulging sports portfolio, might have followed the lead and been floated before Christmas.

However, signs now are that the Benettons, who over the past three years have quietly acquired 10 leading sports equipment companies through their Edizione Holding master company, may have pushed back their ambitions.

The group, which includes familiar brands such as Prince tennis racquets and Nordica ski boots, "still needs to be simplified", says one banker familiar with the company. "They need to talk to US investors, and there are still tax implications to be worked out."

However, the Benettons have started to spread the word. At a penthouse showroom in New York's Fifth Avenue earlier this year, they displayed together for the first time their full range of brands.

The target is to make Benetton Sportsystem one of the world's top five sports groups by 1995. By then, sales should exceed $1bn, putting it just behind Nike, Reebok, Adidas and Mizuno of Japan.

Benetton's strategy began in the late 1980s, when the fragmented sports equipment industry was identified as offering potential for growth through consolidation. The sector fitted in with the Benettons' experience in manufacturing and retailing and coincided with the family's relaxed, unfussy and vaguely "green" business image.

The takeovers started with Italy's Nordica in May 1989. This year, the group reached its first goal of assembling an adequate portfolio of sports brands. "We have products for sports from January 1 to December 31, meaning we are no longer dependent on one season," says Mr Silvano Storer, joint managing director of Benetton Sportsystem.

Other criteria – buying brands which were internationally known and among the leaders in their sectors, and in sports showing rising demand – have also been met, he says.

With the acquisition phase complete, attention has shifted to rationalising manufacturing and distribution to save money in production, marketing and distribution.

Rollerblade's in-line roller skates show different parts of the group working together to improve quality and lower costs. Buyers remark that the boot section of the skates look increasingly like sophisticated ski boots.

The change reflects Nordica's influence. About 30 per cent of Rollerblade's boots are now made at Nordica's plant in north-eastern Italy, and the proportion is expected to reach 70 per cent eventually. "The two products meet broadly similar physical requirements. Nordica's experience in the ski boot market gave it an edge in designing and choosing materials for in-line roller skates, especially for comfort and strength," says Mr Storer.

The link has helped Rollerblade, which virtually invented in-line roller skates, to survive the "boom-and-bust" cycle facing many innovative companies which surge on new products but then decline as competition sharpens.

But it is sports footwear and clothing which will need the greatest attention if Benetton Sportsystem is to realise its growth ambitions. "There are a limited number of consumers for each of our sports, but many more for related clothing," says Mr Storer. "To have annual sales of over $1bn, shoes and clothing would probably have to account for at least half."

To get there, Sportsystem will have to combine skills and resources in its component companies in much the same way as is already happening with Nordica and Rollerblade.

The Benettons have created a new subsidiary, N&Co, to co-ordinate clothes manufacturing. Tennis fans will still have Prince apparel to match their racquets, but production will be co-ordinated by N&Co. Costs will be cut by farming out manufacturing to eastern Asia.

A similar strategy is planned for footwear. The aim is to rationalise individual ranges, while preserving brand identities, to create a shoe selection spanning products for tennis and jogging to those used for hiking and mountaineering.

The group also sees scope for improving marketing and distribution by combining sales forces. At present, each brand has its own sales and distribution. The aim is to reduce that to just one network for all the brands.

Rationalisation is already under way. Nordica has signed an agreement to distribute Rollerblade products in Europe and Japan, the areas where its sales force is strongest.

Venture capital group finds little demand for funds

By Charles Batchelor in London

3i, BRITAIN'S largest venture capital company, has nearly £1bn ($1.5bn) available for investment, but despite an upturn in activity has yet to experience a surge in demand for funds.

A turnround in performance in the second half saw pre-tax profits increase 39 per cent to £56m for the year to March, the company announced yesterday. This included an £8m exceptional gain in the form of interest on a £32m tax rebate.

Sales and flotations boosted profits from disposals to £115m from £89m.

But provisions increased sharply from £61m to £171m, including a £72m write-off of the stake in Isosceles, the parent of Gateway supermarkets. A further £69m was written off on UK investments and £30m on those overseas.

3i made 644 investments worth £310m compared with 822 investments worth £415m the year before.

A further £8m of revenues was earned in the form of interest earnings on a tax overpayment made in a previous year.

It strengthened its balance sheet, reduced its borrowings and achieved a £200m improvement in its cash flow position during the year, Mr Ewen Macpherson, chief executive, said.

Operating costs had been reduced by staff cuts and a streamlining of its regional office network. 3i increased it share of the market for smaller company finance from 45 to 48 per cent.

Dividend earnings from investments rose 14 per cent to £89m while interest earnings fell 6 per cent to £118m, reflecting generally lower interest rates. Fees and other earnings, including the £8m of interest on the tax overpayment, increased 21 per cent to £35m.

Net assets rose by 4.7 per cent to £1.33bn over the year after falling by 6.4 per cent during the first half. Net assets per share advanced by 4.6 per cent to 563p.

Earnings per share grew 16 per cent to 15.8p. A final dividend of 8.2p makes a total of 11.5p, an increase of 5.5 per cent.

● 3i is expected to announce at its annual meeting on July 28 that Sir George Russell, chairman and chief executive of Marley, the building materials group, is to become its new chairman. Sir George is a non-executive director.

The previous chairman, Mr Alan Wheatley, resigned in April when the company announced it had indefinitely postponed plans for a flotation.

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CONTRACTS & TENDERS

TENDER CIVIL ENGINEERING WORKS 25000 MT REFINED SUGAR CONDITIONAL TOWER FOR THE SWAZILAND SUGAR ASSOCIATION CONTRACT NO: 4914

Tenders are hereby invited for the construction of a 25000 MT refined sugar conditioning tower at Ubombo Ranches sugar mill, located in Big Bend, Swaziland. Tenders will be open at least to firms from EC Member States and from ACP Countries.

This civil engineering contract will be for the construction of a prestressed concrete structure approximately 60m high, 30m diameter including a services shaft and structural steel supported roof, operating floor and stairs.

The concrete hopper floor includes multiple hexagonal hoppers supported by a flat slab and basement columns on a circular raft foundation.

The mechanical and electrical work will be carried out under separate contract.

The anticipated contract period is September 1993 to July 1994 inclusive.

Tender documents will be obtainable as from 13 July 1993 against a non-refundable tender deposit from the offices of:-

The Swaziland Sugar Association, 4th Floor, Barclays Bank Building, Allister Miller Street, MBABANE, SWAZILAND. Tel: 26842646/7 Fax: 26845005. Deposit E100.00

AND

The Swaziland Sugar Association, Chancery House, 53/64 Chancery Lane, LONDON WC2A 1QX. Tel: 071 242 2349 Fax: 071 405 0656. Deposit £20.00

The closing date for tenders is 24 August 1993.

Sealed tenders, on the prescribed tender form, indicating clearly the tender number and title, addressed to The Swaziland Sugar Association, PO Box 445, Mbabane, Swaziland will be accepted up to 12h00 on 24 August 1993.

Documents delivered by hand shall be deposited in the tender box situated in the Swaziland Sugar Association's offices at 4th Floor, Barclays Bank Building, Allister Miller Street, Mbabane, Swaziland by the time and date mentioned above, where tenders will be publicly opened.

A compulsory Site Inspection will be held on site at 09h00 on 27 July 1993, commencing from the main entrance at Ubombo Ranches Sugar Mill at Big Bend, Swaziland.

Tenders submitted late or by telegram, telex, telefax or facsimilie will not be accepted.

The Swaziland Sugar Association will consider as successful Tenderer the most advantageous bid taking into consideration price, delivery time and conformity to the specification of the Bill of Quantities.

LEGAL NOTICES

PERSONAL

AMD lifts profits and sales in second quarter

By Louise Kehoe in San Francisco

ADVANCED Micro Devices reported a rise in sales and earnings for the second quarter and said it had introduced its version of the Intel 486 microprocessor widely used in personal computers.

Net income was $64.4m, before payment of preferred stock dividends, an increase of 55 per cent over last year's second quarter when net earnings were $41.4m. Sales advanced to $409.1m, up from $350.2m in the same period last year.

After the preferred dividend, net income per common share was 65 cents, up from 43 cents.

AMD was lifted during the year by sales of its clones of Intel microprocessors. However, the company said that during the second quarter sales of its other products grew by nearly 14 per cent over the previous quarter.

Sales of flash memory chips, used in portable computers as an alternative to disk drives for data storage, increased by almost 60 per cent, the company added.

This more than offset a decline in sales of AMD's 386 microprocessors, said Mr Richard Previte, president and chief operating officer.

W.J. Sanders: 'announcement a milestone for AMD'

"Our 386 microprocessor business reflected the market shift toward 486-based personal computers," he added. "Revenues from 386 microprocessors declined in a softer market with lower average selling prices."

AMD began shipping 486 microprocessors during the second quarter, and said it expected sharply increased sales in the current quarter. "The Am486 family will be a significant contributor to revenues in the current quarter," Mr Previte said.

AMD announced its first 486 microprocessors incorporating in-house developed microcode. Microcode is internal software that controls the functions of a microprocessor.

Previously, AMD has offered 486 microprocessors using Intel microcode.

The company is engaged in a legal battle with Intel over its rights to the Intel technology. AMD charges that Intel has tried to prevent competition in the microprocessor market.

"With today's announcement, AMD has achieved a milestone that assures the continuation of free-market economics in the IBM-compatible parsonal computer marketplace," said Mr W.J. Sanders III, chairman and chief executive.

For the first six months of 1993, AMD reported net income of $125.8m before the preferred stock dividend, or $1.28 per common share after the dividend.

Revenues were $816.5m.

In the same period of 1992, it recorded net income of $126.3m or $1.33 per common share after the dividend. Sales amounted to $757.6m.

Dutch bank increases presence in Chicago

By Martin Dickson in New York

ABN Amro, the Dutch banking group, announced yesterday it was to increase its presence in the Chicago retail banking market through the acquisition of Cragin Financial Corp for about $500m in cash.

Cragin is the holding company for Cragin Federal Bank for Savings, which is the second largest independent savings bank in Illinois, with assets of $2.8bn and 27 offices in the Chicago area.

It will be integrated with ABN Amro's Chicago-based group of LaSalle banks, which has assets of over $16bn in more than 40 offices.

LaSalle, a significant presence in the middle market for commercial loans, increased its retail presence around Chicago when it acquired the Talman savings and loans group in February 1992.

LaSalle said yesterday that the Cragin group of banks had the same product lines as Talman and offered a good geographical fit with the earlier acquisition.

Cragin's offices are mainly on Chicago's north-west side and in the western and north-western suburbs.

ABN Amro's other US operations, with assets of about $40bn, include lending to large corporations and EAB, a retail banking business based in New York.

The Cragin deal, which is expected to close early next year, involves payment of $38 a share to the holders of Cragin's approximately 13m shares.

Shares in the holding company for Cragin Federal Bank for Savings were up $9⅞ at $35 at midday after peaking at $36, a new high for the year.

Northwest agrees deal with pilots

By Karen Zagor in New York

NORTHWEST AIRLINES, the debt-burdened US carrier which is integrating its operations with those of KLM Royal Dutch Airlines, yesterday staved off a bankruptcy filing by reaching an agreement with its pilots' union.

The agreement, covering new contract terms and cost reductions, is a breakthrough for the carrier.

In order for Northwest to remain viable outside the protection of the bankruptcy court, it needs significant labour concessions.

Although the airline did not spell out details of its agreement yesterday, the deal is believed to include savings of about $386m from the pilots' group.

This is in keeping with Northwest's plan, announced last year, to cut labour costs by $886m over three years.

The airline's earlier offer to give employees a 30 per cent stake in the airline and three of its 15 board seats in exchange for pay concessions may have changed.

The pact was approved overwhelmingly by leaders of Northwest's Air Line Pilots Association (Alpa) and no further vote is necessary by the union.

The carrier still needs to reach revised agreements with its two other main unions – the International Brotherhood of Teamsters, representing flight attendants, and the International Association of Machinists.

In May, Northwest reached agreements in principle with both groups, but the Teamsters balked a vote on their pact after members of the machinists' union voted against the deal.

The airline had some success in rescheduling its loan repayments, reducing payments falling due in the next few years. Last week, the airline's banks approved a plan to defer most of the payments on a $1.29bn loan until 1997.

Northwest is struggling under the burden of debt acquired when the airline was taken private in a $3.65bn leveraged buy-out in 1989.

Dire industry conditions have added to the carrier's woes. Northwest hopes to reach a voluntary restructuring agreement rather than reorganising while operating under Chapter 11 of the bankruptcy code.

Since 1990, five big US carriers have entered Chapter 11.

Argentine group raises $200m to cut debt

By John Barham in Buenos Aires

SOCIEDAD Comercial del Plata, a Buenos Aires-based holding company, plans to raise about $200m in a combined disposal of assets and international rights issue in order to reduce its heavy debt burden.

SCP, like other large Argentine holding companies, has grown rapidly over the past three years by buying privatised companies.

However, in the process SCP has built up $300m in debts as it has acquired minority stakes in energy companies and utilities.

SCP has sold for $112.5m its 5 per cent stake in Cointel, a vehicle that controls one of Argentina's two privatised telephone companies, to Cointel's operator, Telefónica of Spain.

SCP also plans to raise $80m in a local and international rights issue and a further $4.6m through a smaller asset sale.

Other Argentine conglomerates are reorganising and shuffling stakes in utilities between each other as Argentina's privatisation programme winds down.

In part, this is due to new corporate strategies and to the need to reduce debt. In SCP's case, debt was equivalent to its 1992 turnover of $310.8m.

SCP's stake in Cointel has proved highly profitable, growing in value by more than 500 per cent since privatisation in November 1990.

However, SCP will retain its 25 per cent holding of preferred stock in Telefónica de Argentina, the telephone company which is controlled by Cointel.

SCP said that as well as strengthening its balance sheet and reaping a substantial profit from Cointel, it wanted to concentrate resources in investments which enabled it to exercise some management control over companies.

Last week, the Citilec consortium, in which Sociedad Comercial and National Grid Company of the UK each have a 15 per cent stake, won a concession to run Argentina's electricity distribution system.

NEWS IN BRIEF

Videotron rises 91% to C$22.1m

By Robert Gibbens in Montreal

VIDEOTRON of Canada, which is developing cable systems in southern England with Cable & Wireless and BCE, reported net profit of C$22.1m (US$17m), or 30 cents a share, for the nine months ended May 31, up 91 per cent from a year earlier, on sales of C$448m, against C$409m.

Videotron, Canada's second-biggest cable operator and owner of a Montreal TV station, attributed the gain to higher cable rates and growth in the subscriber base.

● Cogeco, a Canadian cable operator and broadcaster and newspaper publisher, earned C$5.5m, or 38 cents a share, in the nine months, up from C$1.3m a year earlier when after preferred dividends nothing was available for the common stock. Sales were C$144m, up 9 per cent.

The company is raising C$65m of new equity.

● Energie-Versorgung Niederösterreich (EVN), a leading Austrian energy utility, said revenues in the nine months to 31 May 1993 were up 4.8 per cent, writes Ian Rodger in Zurich.

Mr Rudolph Gruber, the chief executive, said the result provided a solid base for the full year.

Revenue from electricity sales was up 3.7 per cent, gas income was up 7.2 per cent and heating sales gained 11.9 per cent. No figures were given.

In the first half, pre-tax profits jumped 12.1 per cent to Sch1.2bn ($105.3m) on revenues up 4.7 per cent to Sch5.9bn.

● W.R. Grace, the US specialty chemicals and health care group, has elected Mr Richard Kinard to the new post of corporate vice-president responsible for engineering, Reuter reports.

Mr Kinard will head Grace's worldwide engineering staff and report to Mr F. Peter Boer, Grace's chief technical officer and executive vice-president.

Mr Kinard was director of engineering for Cryovac North America, Grace's core packaging business.

● Stet, the holding company which controls Italy's public sector telecommunications activities, is selling a 20 per cent share in Stet Hellas Telecommunications, its recently-created Greek subsidiary, to the US Nynex group. Stet gave no indication of the value of the sale.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Half hour period ending	Revisions from 1t trading on 2.07.93 Pool purchase price £/MWh	Firm Prices for Trading on 03.07.93 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.46	20.52	24.40
0100	18.11	18.09	18.09
0130	18.11	18.06	18.06
0200	18.11	18.06	18.06
0230	18.11	18.07	18.07
0300	18.11	18.07	18.07
0330	18.11	18.07	18.07
0400	18.11	18.07	18.07
0430	18.11	18.07	18.07
0500	18.11	18.07	18.07
0530	18.09	18.07	18.07
0600	18.09	18.07	18.07
0630	18.07	18.07	18.07
0700	22.24	22.06	26.06
0730	25.40	25.55	29.43
0800	25.40	25.59	29.49
0830	25.54	25.66	29.56
0900	26.38	27.16	31.14
0930	28.05	33.57	37.78
1000	28.11	33.67	37.89
1030	28.34	33.75	37.98
1100	31.78	33.93	38.21
1130	32.06	34.26	38.60
1200	40.34	74.14	38.81
1230	40.30	34.30	38.65
1300	40.09	33.94	38.19
1330	27.09	27.33	31.27
1400	26.33	27.16	31.00
1430	25.98	27.07	30.93
1500	25.98	27.04	30.89
1530	25.98	26.68	29.49
1600	26.01	25.76	29.59
1630	32.67	27.26	31.18
1700	36.95	33.43	37.55
1730	36.92	33.32	37.40
1800	36.83	27.03	30.80
1830	25.49	25.57	29.38
1900	25.40	25.55	29.36
1930	25.40	25.03	29.44
2000	25.40	25.03	28.65
2030	31.31	28.03	31.14
2100	34.00	28.03	31.88
2130	31.44	25.54	29.37
2200	38.00	34.00	38.11
2230	34.00	34.00	38.05
2300	30.50	33.00	37.35
2330	20.50	33.65	37.45
2400	18.54	22.06	25.88

Prices are determined for every half-hour in each twenty-four hour period.

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Gaylord hits the high notes with latest craze for country music

Martin Dickson reports from New York on the success and aspirations of an entertainment group devoted to the values of rural America

CRAZY as a 'coon. That, roughly speaking, was how much of the US television industry dismissed upstart Gaylord Entertainment in 1983 when it launched a cable network devoted to subjects which stir the soul of rural America – such as country music, drag car racing, pick-up trucks, down-home cooking and bass fishing.

Yet, 10 years later, Gaylord's The Nashville Network (TNN) is one of the most successful US cable channels and a second network, Country Music Television, which Gaylord acquired in 1991, is among America's fastest-growing cable services.

Gaylord, in short, is riding high on a boom in country music which has made this the fastest-growing form of popular music in the US. And now it is hoping to export its success to Europe.

The boom seems due largely to the emergence of a new generation of young singers – led by the phenomenally popular Garth Brooks – who are more able to cross the boundary which has traditionally distinguished country from the broader pop stream.

Country is also benefiting as pop fans turn away from rap and grunge, and from a vogue for simpler, rural values.

Whatever the cause, Gaylord, based in Nashville, Tennessee, is ideally placed to benefit, for it dominates country music in a similar manner to Walt Disney's hold on children's entertainment, with interests ranging from cable networks to a theme park.

At the heart of the group, giving it coherence, is its ownership of country music's most venerated institution, the Grand Ole Opry. This is a folksy show, broadcast from Nashville ever since 1925, which has played a central role in the development of 'country' artists.

The Opry House, where performances are held, is a key feature of Gaylord's nerve centre, the Opryland complex, just outside Nashville.

The complex includes its theme park and the Opryland hotel, an imposing building in southern plantation style featuring vast glass-enclosed gardens, complete with waterfalls and fountains synchronised to accompany evening performances by a harpist.

"This is not just a hotel, this is an entertainment experience," says Mr Terry London, Gaylord's chief financial officer, sipping a drink against a backdrop of 10,000 tropical plants.

Country singers Emmylou Harris and Garth Brooks on stage at the Grand Ole Opry in Nashville, Tennessee

Gaylord – quoted on the New York Stock Exchange but 59 per cent held by the family and associates of its eponymous chairman, Mr Edward Gaylord – was an Oklahoma-based owner of newspapers and broadcasting stations until 1983, when it bought the Grand Ole Opry and the adjoining hotel and theme park.

It went public with a stock offering in October 1991, partly to provide for growth and partly to give liquidity to the founding families, and since then the share price has soared from $20.50 to around $45.

Group revenues jumped from $417m in 1988 to $643m last year and operating cash flow from $64.4m to $150.8m.

Gaylord's growth is due to more than being in the right place at the right time. It has gained a reputation for good management, a sensible expansion strategy, strong finances and an ability to cross-promote its subsidiaries.

The major source of profit and revenue growth for the foreseeable future will be the two cable networks, which already provide over 30 per cent of cash flow.

TNN reaches 57m subscribers – 93 per cent of cable households in the US and 61 per cent of TV households.

Mr London says it still has plenty of growth potential, since cable will continue to penetrate US homes at a rate of 4 to 5 per cent a year. Also, TNN's advertising sales are still somewhat below those of some other networks because of Madison Avenue's past prejudice against country music.

But Gaylord's greatest growth over the medium term is likely to come from CMT, which broadcasts non-stop country music videos.

Since Gaylord acquired 67 per cent of CMT 18 months ago, the network has increased its number of subscribers from 10m to around 19m. It attracts a much more youthful audience than TNN, which should make it attractive to advertisers, and its programming costs are small, since record companies provide it with videos free.

Last October, CMT launched a service into the fledgling European cable television market, which Gaylord thinks offers good long-term growth prospects.

Says Mr London: "Estimates suggest there will be 54m cable homes in Europe by the year 2000. There are currently 60m in the US. So we have the opportunity to repeat what we have done here."

It remains a moot point, however, whether Europeans will get excited about something as quintessentially middle-American as country music, even if CMT waters down its programming for transatlantic consumption.

Gaylord is also looking for significant growth at the Opryland Hotel, which is already one of the 20 largest hotels in the US in terms of guest rooms. A leading convention centre, it has more than 2m room nights of bookings, stretching to the year 2003, and an 86 per cent occupancy rate.

Gaylord has just announced plans for $175m of capital spending to add 979 rooms to the existing 1,891, to double the trade show facilities, and to create another immense glass covered space called "The Delta."

Two main dangers would appear to face Gaylord. One is that it might grow faster than its management resources, though it recently addressed this by hiring Mr Richard Evans, former president of New York City's Madison Square Garden auditorium, as chief operating officer.

The second is that country music could prove a temporary craze, as in the past. However, Mr David Hall, general manager of TNN, argues that at the end of each boom industry revenues have remained higher than before the craze began, and he expects this long-term growth pattern to continue.

"We will find artists that will . . . keep pushing up that trendline further and further, if no one goes to sleep at the wheel," he insists. "We're dealing with a lifestyle here."

Toyota Motor gives profit target warning

TOYOTA MOTOR will find it even harder to achieve its parent company profit target this year, according to Mr Tatsuro Toyoda, president, Renter reports from Tokyo.

"We worked hard to meet our forecast of parent company current profit of Y300bn ($2.76bn) for tha year ended June 1993. It will be an even tougher in 1993–94," he said.

Toyota has lowered its forecast of domestic vehicle sales to 2.20 in calendar 1993 from a December forecast of 2.32m, Mr Toyoda said. The company sold 2.24m vehicles in Japan in 1992.

Domestic vehicle sales hy Toyota in the first half of 1993 fell short of tha 1.1m the company had forecast.

"We hope to achieve domestic sales of 2.20m vehicles in calendar 1993, thanks to a big sales push in the second half," Mr Toyoda said.

NEWS DIGEST

■ Tuntex Petrochemicals yesterday confirmed plans to huild Taiwan's seventh naphtha cracker with a projected total investment of N$87hn (US$3.3bn), writes Dennis Engbarth in Taipei.

The facility will have an annual throughput capacity of 10m tonnes, or 22,500 barrels a day.

A spokesman estimated that the complex's annual production could reach a value of NT$91bn. The proposed site would be close to Formosa Plastics' cracker in a coastal industrial zone near Taihsi in Yunlin county.

The project would he the largest single investment by the Tuntex Group and officials said that Tuntex would seek to gain the participation of domestic and foreign investors in the project.

■ Sandi British Bank, owned by Saudi shareholders and the British Bank of the Middle East, has reported a 50 per cent increase in net profit to SR193.2m ($51.5m) for the first half of 1993 compared with a year earlier, Reuter reports from Manama.

The hank said the performance reflects strong business growth in all core business activities. Operating profit, before provisions for doubtful debts, was 44 per cent higher at SR211.2m.

Provisions were maintained at SR18.00m. On the balance sheet, total assets at the end of the half were 21.8bn riyals, up 26 per cent.

Mr Andrew Dixon, SBB's managing director, said: "The economic outlook for Saudi Arabia remains encouraging and the bank is well placed to continue its husiness growth through 1993."

■ Taiwan has unveiled a plan to privatise Chinese Petroleum, the state oil company, by selling divisions, Renter reports from Taipei.

Chinese Petroleum, which has assets worth about $11hn, would be privatised over the next seven to eight years, according to the finance ministry. It said CPC would be split into four sections – shipping, petrochemicals, natural gas and oil refining – in order to allow the company to be absorhed hy private sector investors.

LEGAL NOTICES

IN THE MATTER OF
WINSTON NURSING HOME & CLINIC LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN pursuant to Rule 4 106 of the Insolvency Rules 1986 that on 29th June 1993, I, SURJIT KUMAR SINGLA of Singla & Company, 49 Queen Victoria Street, London, EC4N 4SA was appointed Liquidator of the above-named company by the members and creditors.

NOTICE IS ALSO HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound-up, are required, on or before the 31st August 1993, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Surjit Kumar Singla F C.A. of Singla & Company, 49 Queen Victoria Street, London, EC4N 4SA, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 29th June 1993
Surjit Kumar Singla
Liquidator

IN THE HIGH COURT NO. 5152 OF 1990
RE: LOUAY AL-URFALI (In bankruptcy)

NOTICE IS HEREBY GIVEN, pursuant to Section 331 of the Insolvency Act 1986 that a meeting of creditors of the above debtor will be held at 186 City Road, London EC1V 2NU on Wednesday 4 August 1993 at 11.00 a.m. for the purpose of receiving the Trustee's report on the administration of the debtor's estate.

A creditor entitled to vote at the above meeting may appoint a proxy to attend and vote in his place. It is not necessary for the proxy to be a creditor. Proxy forms must be returned to Robson Rhodes, 186 City Road, London EC1V 2NU by no later than 12.00 noon on 3 August 1993

Dated the 28 June 1993
V M Sairusow
Trustee in Bankruptcy

INTERNATIONAL CAPITAL MARKETS

German bonds rise on hopes of further interest rate cut

By Peter John in London and Patrick Harverson in New York

REVITALISED hopes of a further German interest rate cut before the Bundesbank policymaking council goes into recess at the end of the month sent German government bonds higher yesterday.

GOVERNMENT BONDS

Enthusiasm had dampened in early trading on news that the coupon on the new 10-year Treuhand bond was set at 6¾ per cent, disappointing market expectations of a 6⅝ per cent coupon.

However, September bund futures shot forward on rate cut hopes in late trading to close 0.21 higher at 93.38. The hopes were fuelled by a statement from Mr Helmut Schlesinger, the president of the Bundesbank, that inflation in the past quarter was only 2.7 per cent.

That figure approaches the Bundesbank target of 2 per cent and leaves room for a further easing.

Traders and economists are speculating that the Bundesbank will not ease at the next council meeting on July 15 but will cut at the last one on July 29.

■ UK GILTS rose again in response to a strong pound, the German rate cut optimism and the fundamental attractions of the UK government bond market.

Any German easing will leave more room for manoeuvre in the UK and investors still like the UK's appeal of low inflationary prospects coupled with slow growth.

However, the currency was the main reason behind yesterday's rise as overseas investors acted on the further strength of the pound against the D-Mark. Long gilt futures for September lifted a further ⅜ to 107⅞.

The rapid rise in gilt prices (and fall in yields) has taken some economists by surprise. Mr Julian Callow, economist with Kleinwort Benson, said that at 7.55 per cent the yield on 10-year issues had almost reached his forecast for the end of the year.

■ FRENCH government bonds were also pulled higher by the prospect of a German easing and received an added impetus from a stronger franc.

Technical buying gave the September 10-year future added support and it closed half a point higher at 119.60.

The Balladur privatisation bond issue appears to be subscribed beyond the FFr40bn target initially announced, AP-DJ reports from Paris. Bankers handling the issue could not confirm a figure of FFr80bn but some observers indicated that the number was not far-fetched. The subscription period runs until July 10.

The bonds carry a 6 per cent coupon and can be converted to shares in privatised companies. They also carry assorted tax benefits.

■ ITALIAN debt drifted back as investors took profits after a recent strong rally. The BTP 10-year futures contract for September slipped a quarter point to 103.89.

However, fundamental sentiment was good and operators who took profits found eager buyers at lower levels. Dealers said few investors were seriously worried ahead of yesterday evening's vote of confidence in the government of Mr Carlo Ciampi.

Several economists believe the BNTP contract which has risen from 93.90 at the start of April could gain a further two points if the Bank of Italy continues to make substantial cuts in its discount rate.

■ PORTUGUESE bonds fell from early highs on profit-taking, and dealers said recent price rises had been overdone. Some banks with excess funds were still attracted to the good rate on fixed rate bonds compared to the 10.25 per cent central bank rate for mopping up liquidity, they added.

■ THE US Treasury market reopened after the long holiday weekend in a broadly positive mood, with longer-dated prices posting solid gains.

By midday, the benchmark 30-year government bond was up ¼ at 106 1/16, yielding 6.641 per cent. At the short end of the market, the two-year note was slightly weaker, down 1/32 at 100 11/32, to yield 3.926 per cent.

Treasuries opened firmer, buoyed by overnight buying in foreign markets and by reports in the US that the Federal Reserve, in the wake of last week's unexpected poor employment figures, is ready to return the bias on its monetary policy to a neutral stance, eway from the tightening bias adopted two months ago.

In late morning trading, however, shorter-dated securities fell back from their early gains, as e slight surge in commodities prices prompted selling at the short end.

■ JAPANESE government bonds were steady, while futures ended higher on continued hopes of a credit easing and an absence of active sellers, Renter reports from Tokyo.

● Technical difficulties have prevented publication today of the Benchmark Government Bonds table.

FT FIXED INTEREST INDICES

	July 6	July 5	July 2	July 1	June 30	Year ago	High *	Low *
Govt Secs (UK)	97.90	97.74	97.39	97.43	97.22	89.64	98.04	93.28
Fixed Interest	115.90	115.79	115.48	115.42	115.24	106.32	115.90	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 115.90 (6/7/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	July 5	July 2	July 1	June 30	June 29
Gilt Edged Bargains	95.8	96.2	123.6	119.5	103.8
5-Day average	107.8	108.2	108.7	108.6	104.0

* SE activity indices rebased 1974

Portugal ready to woo investors from abroad

Peter John reports on the country's plans to catch up with its EC partners in the competition for loans

PORTUGAL'S move to issue longer-dated government bonds marks its desire to encourage more overseas investors. It comes as recession is beginning to bite and economists expect the budget deficit to rise. The country can now plan debt and compete for loans on an equal footing with its EC partners.

With the issue last week of its first 10-year bond, Portugal now has a fully-fledged debt market with maturities ranging from two years to 10 and is expected to have a bond futures market by next year.

It is a rapid development for an economy that, just over six months ago, barely had a workable government bond market. What little it had was at the short-dated end and was so illiquid that it tempted very few overseas investors. The republic mostly refinanced its debt via three-month Treasury bills, leaving itself at the mercy of volatile interest rates.

Historically, it has not been a problem as the country has managed to maintain a low budget deficit. The present debt of Es1,120bn is 65 per cent of GDP, which is above the Maastricht ceiling but compares favourably with Italy's 107 per cent and Belgium's 130 per cent. However, Portugal is now slipping into recession and beginning to drift further into the red.

Last week, the Treasury issued Es10bn of 11.5 per cent stock dated July 2003. The issue was very aggressively hid with Es82.7bn of offers and an accepted yield of 10.67 per cent against expectations of 11 per cent. It was the first auction in an Es40bn borrowing programme.

The issne follows that in April of new seven-year paper with a coupon of 11.875 per cent and marks the end of a yield curve which, because of the lack of buying at the long end, has stood out among its European counterparts as completely inverted.

Tha appreciation of the extent of the divergence prompted a rush of buying last week with one London securities house taking up large blocks of two and three-year paper and investors taking profits from Spain to plunge them into Portugal.

Securities houses first began to dip their toes into the market last year after interest rates began falling in response to lower inflation (since the last devaluation on May 13, short-term interest rates have fallen by 6.75 points to 10.25 per cent), the escudo's entry in April last year to the European exchange rate mechanism and the complete liberalisation of capital movements.

However, there are still very few securities houses which are heavily involved in the Portuguese bond market partly because of the illiquid nature of the market and also because of the tax problems.

On the tax front, domestic fixed rate bonds – the Ohrigacioes Do Tesouro or Ots – are not traded through the leading European settlement houses and have to be held by a Portuguese depository. Withholding tax of 20 per cent is payable and although dual taxation treaties bring the rate down to 10 per cent for a number of countries it can take months to get the rebate.

Nevertheless, Mr Andrew Roberts, bond analyst at UBS, says there is a possibility that the withholding tax might be scrapped. That possibility and the trend of increasingly lower interest rates is generating interest.

And Mr Steve Major, a Portuguese bond specialist with Crédit Lyonnais, whicb is a primary dealer with a hig operation in Lisbon, says: "Portugal has lagged Spain because of lingering currency concerns but the big picture story of a weakening D-Mark reduces the cross currency risk of holding high yield bonds."

Ssangyong Oil issue leads invasion from Far East

By Sara Webb

A SPATE of Far Eastern equity-linked deals amounting to $650m in new issuance hit the international bond markets yesterday. The deals consisted of a large Korean convertible bond issue and two more bonds with warrants from Japanese corporates.

INTERNATIONAL BONDS

Ssangyong Oil Refining, Korea's third-largest oil refiner, made its debut in the international capital markets with the launch of a $150m convertible bond with a 15-year maturity. Paribas Capital Markets, book-runner for the deal, said this was the largest Korean convertible bond issue to date.

Equity-linked specialists said the deal had a "fairly rapturous" response, given that foreign investors are finding it hard to buy some Korean shares.

Although the Korean stock market has been opened up to overseas investors, there are strict limits on foreign ownership.

Ssangyong Oil Refining, in which Saudi Arabia's Aramco has an equity stake, has already reached its foreign ownership limit, so the convertible bond offers overseas investors the only means of buying into the company, dealers said.

Paribas Capital Markets said the bonds were convertible into non-voting shares, which currently trade at a discount of about 4.5 per cent to the voting shares. The indicated conversion premium, which will be set on July 8, is likely to be between 5 per cent and 10 per cent to the price of the voting shares. The coupon will be set at between 3.75 per cent and 4.25 per cent.

"The deal did very well, reflecting the scarcity of Korean convertible paper," said one rival house. Demand from Switzerland and the UK was strong.

Two more Japanese names came to the market yesterday, as expected, issuing bonds with warrants. NGK Insulators issued a $300m, four-year deal, while Sumitomo Cement launched a $200m, four-year deal – coming only one day after a chunky $480m issue from Seino Transportation.

Dealers had voiced concern about the market's ability to absorb the large volume of deals expected from Japanese borrowers, especially since investor interest is muted ahead of the Japanese election. Several borrowers arranged to launch bonds with warrants, mandating the deals before the announcement of the Japanese general election.

Nikko Europe, which was lead manager for the NGK Insulators deal, said the warrants traded in a range of 13⅞ to 14⅞ on the bid side, while Nomura International, lead manager for the Sumitomo Cement deal, said those warrants traded at 13⅞. "Technically, they are pretty cheap, reflecting the relatively low investor interest," said one house.

Outside the equity-linked sector, the international bond market saw a handful of new issues. Bacardi-Martini Finance launched its first Eurobond issue – a $200m, five-year deal with a 5.75 per cent coupon.

Last September, Bacardi, the Bermuda-based international rum company, paid over $1.5bn for a majority stake in Martini Rossi, the Italian vermoutb and wines group. Yesterday's bond issue is aimed at helping to refinance bridging loans made in connection with the deal.

The company has already done US private placements amounting to about $450m, and expects to arrange additional financing in the form of a syndicated loan.

The other main Eurodollar deal of the day came from the Kingdom of Denmark, which launched a $250m, four-year bond priced to yield 20 basis points over the interpolated yield curve.

The Kingdom of Sweden yesterday joined the steady stream of borrowers to tap the Eurolira market with a L250hn, 10-year deal carrying a coupon of 9.75 per cent. The honds were reoffered at 99.375 per cent to yield 9.85 per cent.

Deutsche Bank London, which lead managed the deal, said the aim was to draw more institutional investors into the Eurolira market, an area which traditionally has heen dominated by retail investors. "Sweden is well-known among institutional investors" said Deutsche Bank, claiming that some 55 per cent of the bonds were sold to institutional investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
NGK Insulators(a)ɸ	300	1.375	100	Jul.1997	2.25	-	Nikko Europe
Kingdom of Denmark	250	4.75	99.59R	Aug.1997	0.2R	+20 (b)	Nikko Europe
Bacardi-Martini Finance	200	5.75	99.56R	Jul.1998	0.375R	+80 (5⅛%-98)	JP Morgan Securities
Sumitomo Cement Co.(a)ɸ	200	1.375	100	Jul.1997	2.25	-	Nomura International
Ssangyong Oil Refining(c)§	150	(c)	100	Dec.2008	2.5	-	Paribas Capital Markets
Banco Pactual	60	9.25#	99.63R	Jan.1996	1R	+530 (b)	ING Bank
FRENCH FRANCS							
Kansai Electric Power Co.	2.5bn	7	99.79R	Aug.2003	0.325R	+26 (6¾%-03)	Banque Paribas
ITALIAN LIRA							
Kingdom of Sweden	250bn	9.75	99.375R	Aug.2003	0.325R	-	Deutsche Bank London

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ɸWith equity warrants. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: 13/7/93. b) Spread is over the interpolated yield curve. c) Convertible into non-voting shares. Priced on 8/7/93; coupon indicated at 3.75 - 4.25%. Callable, subject to 150% rule, after 8 years at a price equal to the yield to put and after 8 years at par. Puttable in 8 years at 75 - 150bp over treasuries.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	10	12
Other Fixed Interest	3	0	12
Commercial, Industrial	273	204	931
Financial & Property	114	92	592
Oil & Gas	20	11	52
Plantations	1	0	7
Mines	65	12	62
Others	23	14	100
Totals	555	343	1,768

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
125	F.P.	-	132	120	AG Holdings	130		R5.25	1.9	5.0	11.8
100	F.P.	-	107	89	Anagen	89		-	-	-	-
330	F.P.	-	356	356	Baring Chrysalis C	358		-	-	-	-
$10	F.P.	-	879	879	Baring Emrg Mkts	879		-	-	-	-
120	F.P.	-	133	131	Business Post	132	-1	L2.9	2.5	2.7	18.4
148	F.P.	-	171	148	Carpetright	165		W3.89	1.7	2.9	24.3
100	F.P.	-	117	101	Celsis Intl.	101		-	-	-	-
150	F.P.	-	214	200	Crabtree	214		-	-	-	-
-	F.P.	-	16½	12	Creston Warrants	12		-	-	-	-
170	F.P.	-	200	193	Devro Intl	195	+1	W5.5	1.9	3.5	18.8

FIXED INTEREST STOCKS

RIGHTS OFFERS

b Figures based on prospectus estimates. N Figures based on IMR 'Headline Earnings' draft proposals. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ⁂ Issued by way of rights. † Introduction. § Placing price. ⁑ Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings June 28
- Last Dealings July 9
- Last Declarations Sept. 30
- For settlement Oct. 11

3-month call rate indications are shown in Saturday editions.

Calls in: Avesco, Division, Greycoat, SWP, Tarmac, Tullow Oil and Vardon. Put in: AAF Calls & Puts: Ferranti, Greycoat and Tullow Oil.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	500	39½	54½	62½	2	10½	17½
(*537)	550	7	25	34	21½	32	40½
Argyll	300	17	26	34	4	11	17
(*312)	330	2	12	20	22	25	33
ASDA	57	7	10	-	1½	4½	-
(*63)	67	1½	5½	-	5½	8	-
Brit Airways	287	29	39½	44½	2	8½	14
(*312)	318	7½	22	20	12	20½	26½
SmKl Bchm A	420	16½	31½	41½	8½	23	30
(*424)	460	3	14½	25	36½	47½	53½
Boots	420	17	34	42	5½	15½	23½
(*433)	460	1½	18	23	30½	38	45

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Tue Jul 6	Day's change %	Mon Jul 5
	British Government			
1	Up to 5 years (25)	128.36	+0.10	128.23
2	5-15 years (23)	150.68	+0.26	150.29
3	Over 15 years (9)	163.61	+0.32	163.09
4	Irredeemables (6)	185.52	+0.15	185.24
5	All stocks (63)	146.49	+0.22	146.16
	Index-Linked			
6	Up to 5 years (2)	186.19		186.20
7	Over 5 years (11)	175.90	+0.02	175.86
8	All stocks (13)	176.15	+0.02	176.12
9	Debs & Loans (69)	133.47	+0.19	133.21

Lonrho recruits Capel to rebuild bridges

By Roland Rudd

LONRHO, the international trading conglomerate, has recruited James Capel as its joint stockbroker to rebuild bridges with institutional investors.

Lonrho's financial advisers see the move as part of a campaign by Mr Dieter Bock, joint chief executive with Mr Tiny Rowland, to establish better relations with fund managers. Institutional shareholders, disenchanted with the group's performance, had been heavy sellers during the last few years before Mr Bock's investment.

Mr Andrew Skinner, director of James Capel, said it had been chosen because of its strong relationship with institutions. Société Generale Strauss Turnbull Securities will continue to act as joint broker.

Lonrho has dismissed as "speculation" reports that its efforts to seek a rapprochement with the City are part of a longer-term goal of seeking new funds via a rights issue. The group's shares yesterday rose 2p to 126p.

Capel's appointment comes more than a year after UBS, which had been the main marketmaker in Lonrho shares, resigned in protest at Lonrho's lack of consultation over its big deals.

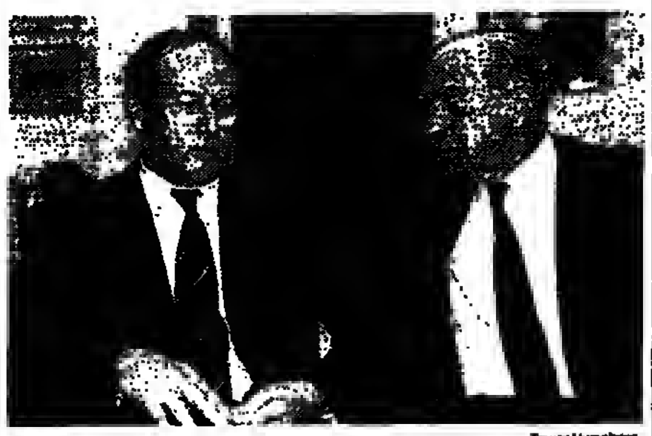
UBS was particularly irritated by the group's failure to tell it of its decision to sell a third of its holding in Metropole Hotels to the Libyan government-controlled Libyan Arab Finance Company for £177m.

It is understood that James Capel has been assured that it will be notified of the group's strategy before it is carried out.

In a separate move Krupp, Germany's diversified steel and engineering group, said it was talking to Lonrho with the aim of buying back the conglomerate's 50 per cent stake in the Krupp-Lonrho trading company.

Krupp, formed through merger of the Krupp and Hoesch groups, returned a loss of DM250m (£98.4m) in 1992.

Mr Bock has told his advisers that the sale of the stake in Krupp-Lonrho is part of a wider strategy of good housekeeping and the relinquishing of some of its bigger associates which have not helped cash flow.



Trevor Humphries

Dieter Bock (left) and Tiny Rowland: improving investor relations

A complex deal to secure the future

Vanessa Houlder reports on the rescue package agreed with Postel for Greycoat

POSTEL's proposed rescue package for Greycoat is a complicated deal involving a placing, an issue of warrants, two rights issues, a property sale and the restructuring of two bonds.

The complexity of this refinancing mirrors the traditionally complex nature of Greycoat's funding arrangements. Until recently, Greycoat prided itself on the sophistication of its finances as much as the quality of its buildings.

Greycoat stood out among property companies for its innovative, carefully structured funding arrangements. It used deep discount bonds to defer interest payments during the early years of a development's life. It was confident that rents would increase sufficiently to provide the income to pay the increased interest bill when it fell due.

But the collapse in property values undermined its assumptions. It became increasingly clear that it would have problems repaying a £50m zero coupon bond in 1995 and paying an additional £9.375m annual interest to holders of stepped interest bonds from September 1996.

Greycoat's increasingly parlous financial position forced it to sell property in an attempt to reduce gearing. In the past year it sold £197m of properties, often below their March 1992 valuations.

This effort to reduce its gearing did not go far enough. Greycoat said yesterday that if Postel's proposals were not approved "there is a risk that at any early stage the group would face serious difficulties which would jeopardise its future."

If the company went into administration, its value would be diminished by the need to sell properties on a forced sale basis, the cost of unwinding long-term finance and the acceleration of the repayment to bondholders.

Payments to unsecured creditors "would be seriously at risk and, therefore, there would be no surplus available for distribution to either preference or ordinary shareholders," it said.

The deal proposed by Postel involves sharing the pain between shareholders, bondholders and preference shareholders.

Under the deal, Postel will underwrite a 4-for-1 rights issue at 12½p per share to raise £58.9m.

It will also underwrite a further rights issue of one new ordinary share for each existing preference share at 12½p to raise £6.25m.

The deal also involves Greycoat placing 30m shares with Postel at 15p per share to raise £4.5m; Postel receiving 37.5m warrants convertible into ordinary shares in Greycoat at any time up to 2000 at 25p per share.

In addition, Greycoat will buy a property called Hill House from Postel for £58.5m in the form of 125m 9 per cent cumulative redeemable preference shares 2014 of 40p and a cash payment of £8.5m. Greycoat needs to win approval from its bondholders to defer its obligation to pay the £50m zero coupon bond due in 1995. It proposes exchanging these bonds for £40m 7.5 per cent bonds due 2003, secured on Hill House.

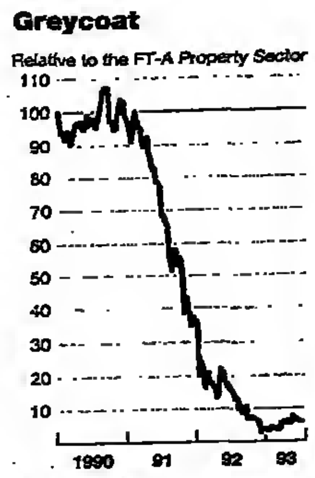
Greycoat has also proposed that the holders of the £150m Britannic Bond pass control of Britannic House to a new non-recourse vehicle, subject to option that Greycoat can buy back the property at any time prior to April 2002.

Bondholders will be asked to defer any shortfall in interest for three years to 2002.

Greycoat is also asking its preference shareholders to waive their accumulated dividends and reduce the nominal value of their shares from 100p to 40p and reduce the coupon from 9.5 per cent to 9 per cent.

The deal is subject to approval by Greycoat's shareholders, lending bankers, bondholders and preference shareholders as well as the Stock Exchange and the Takeover Panel.

City analysts were divided yesterday on whether to recommend shareholders to take up their rights. Many said no decision should be taken until the company publishes its results, together with a detailed circular on the deal, in six weeks time.



Source: Datastream

Alastair Ross Goobey, chief executive of Postel

Britton to pay £32m for Taco

By Roland Rudd

BRITTON GROUP, the packaging company formed last October after the acquisition by Firstland Group of Gelpack Industrial, is to treble its size with the takeover of Taco, a privately owned polythene maker, for £31.6m in cash and shares.

Britton shares were suspended at 13½p. It is raising £33m via a £15m placing with institutions, a 1-for-1 rights issue at 10p raising £13.2m, and an intermediaries offer to raise a further £4.7m.

The group recently reported a pre-tax loss of £2.32m for 1992. Mr Simon Beart, finance director, said this was due to withdrawing from oil and gas. Gelpack has sales of £13m and operating profit of £1.4m.

"The enlarged group will be the second largest extruder of polythene film in the UK. We are now a substantial player with an ungeared balance sheet," he said.

All the company's existing shareholders, which include Mercury Asset Management with 17 per cent and Royal Insurance with 9 per cent, are taking up their rights. Mr Beart said 10 new institutions had been brought on board to widen the ownership of the enlarged group.

The acquisition of Taco includes £5.4m of debt. If Taco achieves profits before tax and interest of £5.1m in the year to April 30 1994, the vendors will receive another £5.5m.

In the year ended April 30 1993, Taco reported sales of £28.6m and profits before tax, interest and non-recurring costs of £4.4m.

Britton's shares will be relisted on August 2 if shareholders approve the deal at an EGM on July 29.

Sterling Publishing advances to £5.3m

By Catherine Milton

STERLING Publishing Group reported pre-tax profits of £5.31m for the year to end-March as new accounting rules forced the company to restate last time's results as an £8.09m loss.

Adopting FRS 3, the publisher of advertising-financed journals restated the 1992 figures from a pre-tax profit of £2.05m by reclassifying extraordinary provisions as exceptional charges. The provisions allowed for disposals following an abortive diversification as well as a £1.7m write-down of intangible assets.

Operating profits rose to £6.56m against a restated £1.52m as turnover rose to £42m (£41.6m), including £7.63m from discontinued operations. The company added 18 new titles in its core trading subsidiaries, Sterling Publications and Cornhill Publications.

Ms Clare Whitley, finance director, said advertising rates had been maintained and there had been growth in the exhibitions business. Interest charges dropped to £1.25m (£1.89m), reflecting lower rates towards the end of the financial year and reduced borrowings. Net borrowings were £12.1m (£17.8m) at the year-end.

Ms Whitley said gearing now stood at about 55 per cent. She said the balance sheet figure for fixed assets of £27.8m (£28.3m) did not include a value for internally generated titles which directors estimate at about £30m, giving gearing of some 25 per cent.

Mr Ronald Cohen, chairman, said the company's telephone sales operations allowed it to target potential advertisers worldwide: "This has been particularly important over the last year with the continuing weakness in the US and UK economies and the developing recession in western Europe."

Fully diluted earnings per share on continuing operations rose to 7.8p (1.5p). A proposed final dividend of 2.4p gives a total for the year of 3p (2.5p).

Andrew Knight's trusts sell half News Corp stake

By Paul Taylor

TWO FAMILY trusts of Mr Andrew Knight, executive chairman of News International, have sold more than half their stake in Mr Rupert Murdoch's News Corporation, the newspaper publishing group's parent company.

News Corp said yesterday that the trusts, Blomfield Trustees (Jersey) and Ernst & Young Trustees of which Mr Knight is a beneficiary, had sold a total of 3.93m shares in two tranches on July 1 and July 2 at an undisclosed price.

Following the sales the trusts held 3.8m shares.

News Corp emphasised that the trusts had acted on their own initiative and that the disposal was designed to diversify their holdings which until now had been entirely in News Corp stock.

Since Mr Knight's appointment at News International in January 1990 News Corp's shares have risen from about 175p to more than 300p. They closed down 3p at 338p last night. Mr Knight was on holiday yesterday and unavailable for comment.

Sims Food runs up deficit of £586,000

By Peter Pearse

AS HAD been prefigured almost a month ago Sims Food Group, the meat processor and supplier, fell into the red in the year to March 31 after a non-recurring exceptional provision of £6.59m.

From pre-tax profits of £6.84m restated for FRS 3, the group fell to losses of £586,000. Turnover rose to £312.7m (£251.4m), an advance of 24 per cent, though Sims said, stripping out the effect of acquisitions, that there had been an underlying organic growth of 9 per cent.

Mr David Brady, finance director, said this was "encouraging", given overall static meat prices over the year. Interest payable grew to £2.21m (£1.66m).

Mr Brady said that behind the exceptional charge - to cover the writing-off of under-utilised equipment for storing meat under pressure, the clearing of the non-core Country Feast and J Redmond, and the restructuring and reduction of the catering and retail divisions - to more accurately reflect lower demand - lay badly eroded margins.

Part of the problem was that Sims had outlaid EC-driven capital expenditure more quickly than turned out to be necessary because a three-year period of grace had been granted.

Further, the devaluation of sterling and the alignment of "green rates of currency" more directly with market rates led eventually to shortage-driven price rises, only part of which the supermarkets helped absorb. Mr Brady said that all the bad news was in these figures, though prices were unlikely to fall much within the next two years.

Sims commands some 40 per cent of the fast-food hamburger market and is the second biggest supplier of fresh meat to the catering trade.

Earnings per share last time of 15.9p were turned into losses of 5p. However, again as forewarned in June, the final dividend is reduced to 4.5p (8.25p), resulting in a total of 7.5p (11.25p) for the year.

Moran administration order discharged by High Court

By Andrew Jack

The High Court yesterday discharged the administration order in place since last August on Moran Holdings, the tea producer, freight forwarder and property developer.

Mr Justice Harman approved a rescue plan following approval by shareholders of a refinancing at an extraordinary meeting on Monday.

Moran plans to raise £2.3m from an underwritten rights issue and with a further £1.1m loan from Darnforth, a British Virgin Islands-based subsidiary of Volkart Brothers.

Partners from accountants Touche Ross were the administrators and lawyers from Lovell White Durrant were also involved in preparing the rescue.

Touche said that a last minute injunction issued in Calcutta from a minority shareholder of Moran Tea Company (India) failed to stop the extraordinary meeting taking place.

Colefax & Fowler £395,000 in red and dividend cut to 1p

COLEFAX & Fowler, the wallpaper and furnishings fabrics manufacturing group, finished the year to April 30 with a pre-tax loss of £395,000, compared with a profit of £704,000.

The result included an exchange gain of £418,000. Losses per share came to 1.05p (earnings 3.7p), after a tax credit.

Following a cut of 0.8p in the interim dividend, the final dividend is similarly reduced to 0.5p for a total of 1p (2.6p).

Mr David Green, chairman, said the decorating division's results were affected through the weakness of the dollar, leading to a delaying of projects by American clients, while the current UK economy had a similar effect on UK clients in relation to decorating projects and sales of antiques.

He said current trading in the US was slightly improved; in the UK and rest of Europe conditions continued to be difficult.

Greenalls sees savings from bid

By Paul Taylor

GREENALLS Group, the pubs and hotels company which has made an agreed £214.3m offer for JA Devenish, the west country pubs group, said yesterday that it expects to generate some £3.5m in annual cost savings as a result of the proposed acquisition.

The deal would add 550 pubs to Greenall's present estate of 1,450, and the offer document published yesterday identifies areas where cost savings are expected to be made.

These include economies of scale and improved overhead absorption resulting from the elimination of duplicated costs and the potential for Stretton Leisure, Greenalls' machine distribution company, to supply amusement, games and music machines to the Devenish pubs.

Reflecting a slightly more bullish appraisal of trading prospects Greenalls is now predicting that, after taking into account the savings, the acquisition of Devenish will be non-dilutive in the first full year.

Midlands Electricity lifts dividend by 15.9%

By David Lascelles, Resources Editor

MIDLANDS ELECTRICITY rounded off the power company results season yesterday with a 17.6 per cent increase in pre-tax profits and a 15.9 per cent rise in the dividend - one of the strongest in the sector.

Mr Bryan Townsend, chairman, described the result as "excellent" and said it bore out Midlands' aim to be a broadly defined energy company.

Pre-tax profits rose from £142.1m to £167.1m, equivalent to a 13.9 per cent rise in earnings per share. The board is recommending a final dividend of 4.65p, making a total for the year of 20p including the second interim dividend paid in April. This compares with last year's total of 17.25p.

Mr Townsend said the benefits of Midlands' performance had been shared almost equally between shareholders, the customers who got tariff reductions of 4 per cent, and the tax man.

Much of the profit increase came from a 6.7 per cent reduction in costs, including the loss of 350 jobs over the year. Further manpower reductions are envisaged, bringing annual savings to £20m. The operating profit on distribution increased from £137.8m to £144.3m, and on supply from £8.3m to £18.8m. The number of electricity units distributed increased by 0.3 per cent.

Midlands' interest in power generation took shape with the opening of the Teesside gas-fired plant in which it has a 19 per cent stake. The company is now part of an international consortium, Wing Merrill, which is looking at further generation projects in Kuwait, China and Turkey.

Among other businesses, the new retail gas subsidiary acquired 1,000 customers and produced a small operating profit. The retailing side was also in profit, but during the year it was merged into a new venture with Southern and Eastern Electricity which has incurred heavy start up costs.

Gearing was reduced during the year to 1 per cent with the repayment of £75 of government debt.

● **COMMENT**

The shares gained 8p to 491p in a buoyant electricity market on a result that was stronger than it looked. Midlands tucked away £38m of provisions, and resisted the temptation to round off the results with a dividend increase to top the rest. The prospects depend on how successful Midlands is with its "energy company strategy". It makes sense to widen its base in the business, but is it prudent for a REC to be building power stations in China? Midlands is an average REC share, and its reluctance to make firm pronouncements about dividend prospects mean it will probably stay that way. The prospective yield is a shade under 6 per cent.

Heavy trading in Celsis shares

By Richard Gourlay

Shares in Celsis ended their first day of trading yesterday up just 1p from the issue price of 100p after touching 117p in heavy trading.

The company hopes to replace the laboratory agar plate with a faster method of detecting microbial contamination, but is still developing its product.

The intermediaries offer part of the new issue was nearly four times subscribed with applications for 27m shares chasing 7m shares on offer.

Investors will have been allocated half what they applied for up to 10,000 shares; 30 per cent for additional shares up to 440,000; and about 16.66 per cent of the number for shares applied for over and above that.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Asprey §	fin	4	Aug 16	3.75	5.1	4.85
Avesco	fin	nil	-	nil	nil	0.5
Colefax & Fowler	fin	0.5	Oct 1	1.3	1	2.6
Danae Inv Tst	fin	4.575†	Aug 31	4.575	7.95	7.95
Eurotherm	int	3.5	Oct 14	3	-	8
Evans of Leeds	fin	3.14	Aug 20	2.85	4.57	4.15
Farepak §	fin	4.1	Oct 1	3.55	5.75	5
Howden	fin	1.45†	Oct 1	1.3	2.2	2
Midlands Elect	fin	4.65	Oct 1	11.3	20	17.25
P&P	int	0.8	Oct 4	0.7	-	1.4
Sims Food	fin	4.5	Oct 1	8.25	7.5	11.25
Sterling Pub §	fin	2.4	Nov 3	2	3	2.5
3i	fin	8.2	-	7.3	11.5	10.9

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Year to 31st March	1993	1992
Profit on ordinary activities after tax	£7.530m	£7.027m
Shareholders' funds	£122.5m	£122.6m
Dividends paid and proposed	4.57p	4.15p
Earnings per 25p share	11.36p	10.67p

COMPANY NEWS: UK

Howden to spend £15m to diversify fan side

By Andrew Bolger

HOWDEN GROUP will spend £15m on restructuring the fan manufacturers which it has bought in an attempt to diversify out of large-scale contracting work.

A total of £40m has recently been spent in acquiring Novenco, a Danish maker of industrial fans, and Buffalo Forge, a US fan and air-handling business. About 400 jobs will be shed in the US, and 250 from the enlarged group's European fan division.

These substantial balance sheet provisions were revealed yesterday when the group reported an increase in pre-tax profits from £18.1m to £18.5m over the year ended May 3 1993. Sales rose from £292.3m to £335m.

Profits were reduced by an exceptional charge of £2.46m after the final settlement of a dispute over tunnelling machines which the group supplied to Denmark. This ended a bitter wrangle which caused Howden heavy losses and a crash in its share price in 1990.

Mr John Jackson, chairman, said Howden's prime objective was to complete the successful integration of the past year's acquisitions, particularly to North America.

Order intake totalled £266m (£278m) which was "satisfactory" in current circumstances. During the year management had responded to a more competitive environment by cutting costs, and the overall workforce fell by 10 per cent to about 4,500, excluding the Buffalo acquisition.

Mr Johnny Johnsen, chief executive, said he hoped to move away from Howden's traditional contract business of supplying specialised fans for power stations, which came through erratically.

Instead, he wanted to focus on smaller industrial fans, which yielded higher profit margins.

He said business was flat in the UK and Europe, but recovery was firmly established in the US. He saw the greatest new opportunities in south-east Asia and the group was in talks about setting up a joint venture in China.

Earnings per share came to 6p (5.5p). A final dividend of 1.45p on increased capital gives a total for the year of 2.2p (2p).

● **COMMENT**

Having finally got out of the hole represented by the Danish tunnelling contract, Howden still has its work cut out. The group issued 62m shares in the last year to fund acquisitions, and analysts estimate that pre-tax profits will have to increase from £18.5m to £24m just to avoid dilution of earnings. Focusing on smaller fans seems plausible, but the group makes no bones that the trading outlook is tough - particularly in Europe and the UK. Institutional investors have supported the cash calls and the shares have risen from 33p in October to close unchanged at 78p yesterday. They are unlikely to advance further until the success of the new strategy becomes clearer.

Registered interest in BT sale disappoints

By Roland Rudd

THE NUMBER of registrations in the sale of the government's remaining holding in British Telecommunications remains well below the number in the last sale of BT shares.

The Treasury yesterday announced that after 600,000 new registrations in the last week the total number had risen to 5.2m, compared with 5.25m in 1991.

However, 2.4m individuals, being qualifying BT shareholders and eligible BT employees, were automatically registered compared with 1.1m last time.

"After excluding those automatically registered the figures are really quite disappointing," said one telecommunications analyst.

Of those registering, 2m chose to go through one of the share shops with 1.4m registering with the Share Information Office. Applications through most share shops close July 12 and the public offer in the UK closes July 14. Trading in the new shares starts July 19.

Mr Stephen Dorrell, financial secretary to the Treasury, said he believed the result showed that BT3 was on course for success.

Those applying through share shops will get a greater allocation of shares than applicants through the information office, if there is a big demand.

UK private investors will receive discounts of 10p on all three instalments. The overall price, which will determine the sum payable in the third instalment, is to be determined by the bids for shares made by the institutions after the book building exercise gets under way tomorrow.

Cost controls and improved margins help Eurotherm advance to £9m

By Paul Taylor

EUROTHERM, the industrial process control equipment supplier, reported a 37 per cent increase in interim profits, reflecting cost cutting measures, improved margins and the positive impact of sterling's devaluation.

Pre-tax profits increased to £9.19m in the six months to April 30, against £6.71m last time, while turnover expanded a modest 3.8 per cent to £81m (£78.1m) reflecting the "patchy" state of the world economy, with few countries showing strong recovery signs.

Mr Jack Leonard, chairman, said the group had been doing "rather well in adverse conditions," and had concentrated on restoring profitability and generating cash over the past 18 months.

Tight control on costs, including a further reduction in the workforce from 2,150 at the end of October to 2,080 at the period-end, helped boost operating profits by 27 per cent to £9.27m.

Earnings per share jumped 37 per cent to 13.67p (9.97p) and the interim dividend is lifted to 3.5p (3p).

Net interest charges dropped to £81,000 (£608,000) reflecting the reduction in net borrowings made possible by strong cash generation.

Borrowings fell from £7.4m at the end of October to £1.8m and gearing dropped from 12.9 per cent to 2.9 per cent.

Looking ahead Mr Leonard said that having strengthened profitability and the financial position of the company "our next priority is to ensure a resumption of sales growth."

Provided there is no marked deterioration to international trading conditions in the second half he expects the group to achieve a "significant" full-year profit improvement.

● **COMMENT**

With almost 80 per cent of turnover coming from outside the UK, sterling's devaluation has significantly improved competitiveness. Sales are lower in Germany where the group has a relatively small presence, but are holding up elsewhere in continental Europe and growing strongly in the US. The one blackspot is the process automation business focused on the UK where customers are still postponing big investment projects. But after cutting the cost base the group is well positioned to take advantage of any upturn. Pre-tax profits this year should reach £19.9m producing earnings per share of 30p. Based on yesterday's share price of 591p, up 3p, the shares are on a lofty but well deserved prospective multiple of 19.7.

Jack Leonard: doing 'rather well in adverse conditions'

P&P recovery gathers pace

By Alan Cane

P&P, the personal computer distributor and computing services company, saw pre-tax profits double on flat revenues in the six months to May 31 1993, as it continued to recover from the effects of the debilitating price war in the personal computer business.

Mr David Southworth, managing director, said the improvement confirmed the strategic decision to withdraw from the distribution of low cost, high volume, products to concentrate on high value added services, including video conferencing and multimedia.

Profits before tax were £2m (£1m) from turnover of £121.8m (£119.3m).

Turnover on continuing operations after disposal of the high volume business was £104.8m (£91.6m), while operating profit on those businesses was ahead 60 per cent at £2.4m.

Fully diluted earnings per share were 2.1p (1p) and an interim dividend of 0.8p (0.7p) is declared.

Mr Southworth said that there was "quiet satisfaction" that the group, one of the UK's largest personal computer distributors, was well on course for recovery.

He said the level of corporate investment was high although small businesses were spending money on information technology only sluggishly.

Plans to invest were still being delayed, moreover, by the need to make decisions over future technological developments. Corporates were undecided whether to invest in Intel's new Pentium chip technology or to opt for Risc technologies from other suppliers.

Avesco losses £0.2m below forecast

AVESCO, which serves the broadcasting, television and video markets, cut pre-tax losses from £2.26m to £1.35m in the year ended March 31 1993.

The loss was also £200,000 below the forecast made with the £12m rights issue in March.

Shareholders' funds had more than doubled and the group was in a much stronger financial position, said Mr Richard Murray, chairman.

VideoLogic's planned expansion continued and its alliance with IBM to produce low cost multimedia solutions had already resulted in the first product, Mediator LC.

Each of the service businesses was profitable and their outlook for the coming year was encouraging with growth expected in all areas.

AVS Broadcast, the television products operation, substantially reduced its loss to the second half and should improve in the current year.

Turnover in 1992-93 expanded from £17.9m to £23.4m. To the operating loss of £140,000 (£1.52m) VideoLogic contributed £677,000 (£673,000), television products £558,000 (£709,000), and services division profit £1.05m (£164,000).

Discontinued activities accounted for losses of £5,000 (£202,000).

Losses per share came to 2.2p (3.4p).

Hamper side behind 14% rise at Farepak

By Gary Mead, Marketing Correspondent

Farepak, the USM-traded mail order distributor and food processor, achieved a 14 per cent rise in pre-tax profits to £5.51m in the year to April 30.

Turnover rose 12 per cent to £70.5m. The Christmas hamper mail order business lifted sales 15.5 per cent and the total number of agents rose 13 per cent to 55,000. This division provides the bulk of pre-tax profits.

The company was confident that its £8.5m investment to acquiring 20 year access to the mail order database of the Littlewoods Home Shopping Group and the acquisition of the Littlewoods Hamper Business in April this year meant that further strong growth was anticipated this year.

A final dividend of 4.1p brings the total to 5.75p (5p).

Fresh warning at Tomorrow's Leisure

By Chris Tighe

TOMORROW'S LEISURE, the USM-quoted hotels and leisure group, yesterday issued a second warning of losses for the year to March 31.

The group, which in March said it was likely to incur a pre-tax loss of more than £1m, said the figure would be "substantially in excess" of that amount. The shares fell 3p to 18p on the news.

The second warning is due partly to a downward valuation of assets, also announced yesterday, reflecting current market conditions. In 1991-92 the group made pre-tax profits of £731,000.

Mr John Roberts, a former Next director appointed chairman in February, has resigned. Mr John Sanderson, the founder, who stepped down as chairman and managing director in that reshuffle, has now become executive chairman. Mr Malcolm Powell has been replaced as managing director by Mr Stephen Lovely, a chartered accountant previously with Coopers & Lybrand.

Mr Sanderson, whose family has recently made a £250,000 loan to Tomorrow's Leisure, said there had been differences of opinion.

NEWS DIGEST

Ropner makes £4.1m buy

ROPNER is buying DAC for approximately £4.1m cash from Rolls-Royce's Northern Engineering Industries subsidiary. The consideration will be adjusted depending on net asset value on completion date.

Ropner, with interests in engineering, property and shipping, warned that it continued to face difficult trading conditions and saw no reason for expressing great optimism during the present year.

DAC, based in Burton-on Trent, supplies communications systems. In 1992 operating profits were £654,000 on turnover of £5.6m.

Sedgwick to form Chinese offshoot

Sedgwick, the insurance broker, has received permission from the People's Bank of China to form Sedgwick Insurance and Risk Management Consultants (China), a wholly owned subsidiary which will be registered in China.

The new company will provide full insurance advice and service, with risk management support, to foreign joint ventures and companies and, in conjunction with Chinese insurance companias, to Chinese organisations.

In addition to its existing representativa office in Beijing, the company will be opening new offices in Shanghai and Shenzhen.

Dwyer to sell Abbeycentre

Dwyer, the property investment group, is to sell the Abbeycentre in Belfast for £18.5m cash, subject to shareholder approval.

The Abbeycentre represents 30 per cent of Dwyer's property portfolio by value, considered to be too large for a single investment.

The sale will reduce borrowings by £11m, cutting gearing by half to 106 per cent, and make more than £7m available for investment.

Edmond shares fall on profit warning

Shares in Edmond Holdings, the housebuilder, fell 4½p to 15p after the company warned that profits for the year were unlikely to match current market expectations.

Trading in the first half had been in line with expectations, in conditions which had continued to be difficult. However, despite signs of recovery to some geographical locations, the areas to which Edmond operates – Humberside, East Anglia and south Wales – had not experienced any positive effects and lower volumes and weaker prices had resulted.

The board did not feel it prudent to anticipate an improvement in trading conditions in the near future.

In 1992 the company incurred pre-tax losses of £1.15m (£1.73m profits).

Serco makes £3.5m Scottish acquisition

Serco, the international task management company, has reached agreement with the environment secretary for the purchase of PSA Building Management Scotland for £3.5m. Its shares rose 30p to 973p to the stock market yesterday.

The government will meet the cost of redundancies, should they be necessary, up to an agreed figure in the first five years.

BM Scotland offers a range of integrated property management services in Scotland, principally to the Ministry of Defence and government departments.

Yates Brothers uncorks 12% rise

Yates Brothers Wine Lodges, the independent drinks group, lifted profits before tax by 12 per cent over the year to March 28.

The increase – from £2.49m to £2.78m – came on turnover ahead 24 per cent to £35.3m (£28.5m).

Profits at the operating level advanced 22 per cent to £3.42m (£2.81m); interest charges amounted to £440,000 (£320,000).

Earnings per share emerged at 9.4p (7.6p). The dividend goes up 35 per cent to 2.46p.

Little change at Danae Inv Tst

Net asset value per income share of the Danae Investment Trust declined marginally from 51.79p to 51.68p over tha 12 months ended May 31. The figure for the capital shares rose from 50.76p to 58.6p.

After-tax revenue edged ahead to £563,676 (£549,612), equal to basic earnings per income share of 7.8p (7.77p). A second interim dividend per income share of 4.575p makes a same-again total of 7.95p.

New London cancels sale to Schlumberger

New London, the oilfield services group, has cancelled the sale of its International Drilling Fluids unit to Schlumberger of the US.

On May 19 New London announced that a letter of intent had been signed with Schlumberger under which it would buy IDF for about net asset value and pay nearly £1m for a 10 per cent stake in New London. The deal was intended to be signed by June 30.

Yesterday, New London said that revised terms had been received which were unacceptable and it was reviewing alternative plans for IDF's future.

New London shares fell 2½p to 5½p.

BALANCE SHEET

YEAR ENDED 31 DECEMBER 1992

ASSETS	1992 QR'000	1991 QR'000
Cash and ahort term funds	448,371	317,144
Deposits with banks end other financial institutions	4,303,500	3,943,298
Loans and advances to customers	9,388,959	8,743,580
Investments	383,105	169,538
Property and equipmant	57,237	52,137
Other assets	245,228	327,447
Total Assets	14,826,400	13,553,144
LIABILITIES & SHAREHOLDERS' FUNDS		
Due to banks and other financial institutions	3,530,429	1,686,572
Customers' deposits, provision for general banking risks	9,071,327	9,863,596
Other liabilities	274,796	301,949
Proposed dividends	66,150	56,700
	12,942,702	11,908,817
Shareholders' Funds		
Share capital	283,500	189,000
Statutory reserve	283,500	189,000
General reserve	1,310,277	1,259,906
Retained earninga	6,421	6,421
Total ahareholdera' funda	1,883,698	1,644,327
Total Liabilities & Shareholders' Funds	14,826,400	13,553,144
Letters of credit, acceptances, guarantees & othar obligationa on behalf of customers	4,382,570	2,272,315

STATEMENT OF INCOME & RETAINED EARNINGS

YEAR ENDED 31 DECEMBER 1992

STATEMENT OF INCOME	1992 QR'000	1991 QR'000
Interest income	1,018,645	1,119,781
Interest expense	684,992	783,803
Net interest income	333,653	335,978
Other income	123,930	88,156
Operating Income	457,583	424,134
General and administration expenses	142,460	147,185
Depreciation	9,602	6,917
Total Expenses	152,062	154,102
Profit for tha year	305,521	270,032
STATEMENT OF RETAINED EARNINGS		
Balance at begining of the year	6,421	6,421
Profit for tha year	305,521	270,032
	311,942	276,453
Transfer to statutory reserve	94,500	-
Transfer to general reserve	50,371	213,332
Proposed dividends	66,150	56,700
Proposed issue of bonus shares	94,500	-
	305,521	270,032
Balance at the end of year	6,421	6,421

Chairman & Members of the Board of Directors

H.E. Sheikh Mohammed Bin Khalifa Al-Thani	Chairman
H.E. Salah Abo Dawood Al-Muhanadi	Deputy Cheirman
H.E. Shaikh Hamad Bin Faisal Al-Thani	Mamber
Mr. Haider Suleiman Haidar	Mamber
Mr. Yousef Hussein Kamal	Member
Mr. Abdul Aziz Salatt	Member
Mr. Abdulla AdbulAziz Al-Khater	Member
Mr. Mohamed Marzouq Al-Shamlan	Member
Mr. Nasser Qassem Darwish	Member
Mr. Adel Ali Bin Ali	Member
Mr. Hani Osman El-Dana	General Manager

Auditors' Report

Wa have audited the financial statemants of Qatar National Bank S.A.Q. in accordance with International Auditing Guidelines. Wa have obtained all the information and explanations we required for the purpose of our examinetion.

In our opinion tha financial statemants present a true and felr view of the state of affairs of tha bank at 31 December 1992 and of tha results of its operations and tha source and applicetion of its funds for tha year then ended in accordance with accepted banking practice in Qatar. Furtharmore, in our opinion the financial statemants comply with Qatar Commercial Companies' Law No.11 of the yeer 1981 and the bank's articles of associetion. Also, in our opinion, proper financial records hava been kept and the contents of tha Directors' report which relate to the financial statements are in agreement with tha bank's financial records.

We are not aware of any violations of tha above mantioned law or the articles of association having occurred during the year which might have had a material adverse effect on the business of tha bank or on its financial position.

A. Mekhael, F.C.C.A.
of Ernst & Young
Auditors Registration No. 59
Doha, 31 January 1993

COMMODITIES AND AGRICULTURE

De Beers' diamond sales up by 42% in first half

By Kenneth Gooding, Mining Correspondent

DIAMOND SALES by De Beers, the South African group which dominates the market, reached an unprecedented $2.543bn in the first half of this year, 42 per cent above the depressed total for the first six months of 1992.

But the company cited several special factors which helped to boost sales and were "likely to prove transitory" and warned that "it would be unwise to look upon the increased level of sales for the first half as a reliable guide to 1993 as a whole".

Nevertheless, analysts suggested that even an average second-half performance would send De Beers' rough (uncut) diamond sales above the record $4.17bn seen in 1988 and 1990.

"De Beers' market share must be as close to 100 per cent as it is ever likely to get," said Mr Steve Oke, analyst at the Smith New Court financial services group.

De Beers responded to the improvement by increasing its purchases from producers who belong to the cartel organised by its London-based Central Selling Organisation. In September the CSO told producers to cut deliveries by 25 per cent as it struggled to bring rough diamond supply and demand back into balance following a huge surge in unofficial exports from Angola.

These "producer delivery entitlements" were raised to 80 per cent in May and yesterday went to 85 per cent. In February the CSO made its first price increase for three years, averaging a modest 1.5 per cent and concentrating mainly on stones above three quarters of a carat in size. De Beers said the transitory elements in its first-half figures included:

● A relative lack of uncut stones from Angola and Zaire, both affected by severe political disruption;

● A shortage of Russian polished diamonds in the first quarter (which analysts suggested was caused by bureaucratic bungling);

● Buoyant demand from India caused both by various budgetary incentives – including the increased convertibility of the Indian currency – and a rise in exports to the US.

● Restocking in the cutting centres and some consumer markets, particularly the US, the most important market for gem diamonds, where Christmas sales were up substantially both in volume and value terms.

De Beers said there had been some recent increase in diamonds from Angola, Zaire and Russia. The US government had sold $77m worth of rough stones from its strategic stockpile and planned more sales later this year. The present market for polished diamonds was not as strong as that for rough stones and no dramatic improvement in retail sales could be expected until there was a resurgence of world economic activity, it added.

Mr Oke at Smith New Court suggested a great deal of De Beers' extra first-half sales came from re-stocking rather than any substantial improvement in retail diamond sales. "The stones are in the pipeline. But if there is no retail action to suck them through, wholesalers will sit tight and buy no more. But even an average second-half sale of $1.7bn would take 1993 sales to $4.2bn or $4.3bn – a significant improvement on recent years."

Mr Michael Spriggs, analyst at the S.G. Warburg financial services group, said the figures pointed to a "welcome reduction in De Beers' diamond stockpile". The group might be able to restore the recent dividend cut as well as soon restore the offtake from producers' to 100 per cent, he added.

The figures were only slightly ahead of many analysts' expectations and De Beers share price, which had risen by $1.50 this week in anticipation of the announcement, was unchanged yesterday at $18.10.

Economic gloom hits metal prices

By Kenneth Gooding

THE GLOOMY economic outlook for most of the world's big industrial countries was reflected by metals markets yesterday as nickel prices dropped to the lowest level for 5½-years, lead fell to a seven-year low and tin slipped back towards its recent 20-year low.

With most of continental Europe gripped by recession, recovery in Japan still months away and a far from robust recovery in the US, "the chances of a demand-lead boost for metals in the remainder of this year are slim," said Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, a Royal/Dutch Shell subsidiary.

Nickel was also badly affected by a rise in London Metal Exchange stocks reported yesterday following a steady fall totalling 10,000 tonnes in June. Traders said a ship carrying between 6,000 and 12,000 tonnes of Russian nickel had arrived in Europe.

"There is more than enough nickel around to justify a further fall in price," said Mr Wiktor Bielski, analyst at Bain & Company, part of the Deutsche Bank Group.

Meanwhile, traders suggested tin for delivery in three months might be on its way to the $4,990 a tonne, the 20-year low touched recently. Lead, suffering from a huge contraction of demand from European and Japanese car makers, touched $388 a tonne yesterday before recovering slightly by the close.

Oil market edges up from lows despite fears of Iraqi return

By Deborah Hargreaves

OIL PRICES edged upwards yesterday after hitting 18-month lows over the weekend, although the market remained nervous about talks between Iraq and the United Nations which are due to begin today. The talks will cover the sale of $1.6bn-worth of Iraqi oil to the export market to pay for humanitarian aid.

"We're all biting our nails," said one oil company trader. Oil prices rose by about 20 cents to $17.35 a barrel as some market traders suggested that there had been an overreaction to last week's fears of an Iraqi return when prices plunged to $16.50 a barrel.

"I think the chances of Iraqi oil coming back have improved from zero to say, 15 per cent, it's still not a done deal," said Mr Vahan Zanoyan, director at Petroleum Finance Company, the management consultants in Washington.

Baghdad has signalled that it is softening its hostility to certain conditions attached to the oil sale, such as the monitoring of sales by the UN. The UN has also insisted that it keep the proceeds of the sale for buying food and medicines which it will then distribute.

The New York talks are expected to last at least two weeks as they will focus on wide-ranging issues such as Iraq's compliance with UN weapons inspections and Baghdad's treatment of the Kurds.

The talks are likely to examine the many technical aspects of the UN's conditions. If agreement is reached it could then take more than a month for Iraqi oil to appear on the market. That would give the Organisation of Petroleum Exporting Countries time to hold an emergency meeting to decide how to accommodate 500,000 to 600,000 barrels of Iraqi oil a day in the market.

Mr Jean Ping, of Gabon, the present Opec president, has signalled that he sees no immediate need for an emergency meeting and has kept in touch with other ministers by telephone.

If the Iraqi oil does not reach the market before the final quarter it will be accommodated more easily as demand for Opec oil is forecast to rise by about 1m b/d by then.

The immediate problem for the market is the high level of stocks held in the US and Europe. The International Energy Agency – the west's energy monitoring body – said in its latest oil report that stocks had increased at a rate of 1.4m barrels a day during May. Refineries had been buying forward because of cheap crude prices, it added.

Companies confident on Azeri deal

By John Lloyd in Baku

WESTERN OIL companies hoping for contracts from the exploitation of the massive reserves of the Caspian Sea are increasingly confident that the new government of Azerbaijan will be persuaded to retain the same general course as the previous one, and that contracts worth ultimately up to $12bn should be signed in the autumn.

Some oil men in Baku believe that Mr Sabit Bagirov, the head of the state oil company Socar, who had apparently resigned more than a week ago, will remain in his post after all.

"Bagirov has learned a lot about how to deal with the oil companies and he's an honest man," said Mr Oguz Capan, president of the Attila Dogan corporation of Turkey, the first company to sign a contract for the exploitation of on-shore reserves 100 km south of Baku. "I think he'll stay."

About 4.5bn barrels of reserves have been proved or estimated in the Azeri part of the Caspian and more is expected. Investment of between $9bn and $12bn will go into the field.

The oil companies, which include Amoco, BP, Pennzoil and Statoil, had agreed in principle with the populist government of Mr Abulfaz Elchibey, before it was replaced recently by hardliners, to unify their approach to the field.

However, the new leadership this week reassured senior company officials that it wished to continue co-operation with them.

World offshore output forecast to rise

By Deborah Hargreaves

WORLD OFFSHORE oil production is forecast to rise by 18 per cent to 943m tonnes by 1995 with most of the increase coming from the UK and Norwegian sectors of the North Sea, according to a report released today by Mackay Consultants, the management consulting group.

Mackay expects North Sea offshore output to increase by 41 per cent with Norway remaining the world's largest offshore producer for the rest of the decade.

But the report suggests world-wide exploration activity will be fairly static. Although the number of exploration wells is expected to rise from 1,017 last year to 1,134 in 1995, that would still be below the level of drilling in 1991.

The report shows a 20 per cent drop in exploration and appraisal drilling in the UK with around 105 wells being sunk by 1995. Mackay says it has reduced its forecasts as a result of changes to Petroleum Revenue Taxes announced in the UK March Budget, which abolished tax relief for exploration work.

Expenditure on the offshore sector worldwide is estimated to grow by 3 per cent in the next two years to $84bn. But spending in the UK sector is expected to fall from $8.3bn last year to $5.6bn in 1995 as the emphasis shifts towards developing smaller fields.

World offshore gas production is forecast to grow by 18 per cent by 1995 to 442bn cubic metres.

● *Prospects for the World Offshore Oil and Gas Industry 1993-1995. Mackay Consultants, Ballantyne House, 84 Academy Street, Inverness, IV1 1LU. Price: £560.*

New York coffee prices surge higher

By David Blackwell

THE NEW YORK arabica coffee market, closed on Monday for Independence Day, surged ahead yesterday in reaction to the Latin American plan to retain 20 per cent of coffee exports from October 1.

The nearby July contract was up 5.50 cents a lb at 69.05 cents a lb in late trading. Robusta coffee on the London Commodity Exchange followed New York upwards. The September contract added a further $24 to Monday's $24 advance, closing at $977 a tonne after touching a high of $1,000 earlier in the day.

Ms Judy Ganes, analyst with Merrill Lynch in New York, said the move was purely psychological, pointing out that "the Latin American scheme does not address the problems of overproduction". Ms Ganes also believes that estimates of 20m bags (60 kg each) in consumer hands are grossly understated, and will rise further as producers take advantage of higher prices.

"Remember that this scheme will not kick in for another three months," she said.

Much of the drive behind the price rise was short-covering, which then triggered stop-loss buying orders and attracted further speculative and fund buying. But one London trader pointed out that coffee buyers had plenty of time to take the long view, and they will be waiting to see how the details of the Latin American scheme are worked out.

Bleak picture painted of Canadian fishery prospects

By Bernard Simon in Toronto

SCIENTISTS HAVE painted a bleak picture of Canada's east coast fishery, warning that a substantial and permanent cut in the catch is required to rebuild stocks of cod and other fish species.

The scientists, employed by Canada's department of fisheries, presented a detailed report in Halifax, Nova Scotia, yesterday at the first public meeting of the Fisheries Resource Conservation Council, a joint government, industry and scientific group with a mandate to advise the government on annual fishing quotas and fishery practices.

The FRCC's work is expected to play a crucial part in drawing up Canada's case to the North Atlantic Fishing Organisation, which sets an annual quota each autumn for the area outside Canada's territorial waters.

The east coast fishery has been devastated in recent years by the virtual disappearance of northern cod stocks. The Canadian government imposed a two-year moratorium off the coast of Newfoundland last July, putting about 20,000 fishermen and plant employees out of work.

Government officials have indicated recently that the moratorium may be extended beyond 1994 and to other parts of the Atlantic coast.

Mr Herbert Clarke, the FRCC's chairman, said yesterday that "the state of the stocks has worsened dramatically in the last few years. Many are in decline and a number of stocks are at historical low levels".

The scientific report noted that past assessments had generally over-estimated potential catches. It warned that "immediate and medium-term prospects [for rebuilding stocks] are poor", adding that "the necessary drastic reductions in fishing mortalities can only be achieved by substantially decreasing fishing effort and these reductions need to be permanent."

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,540-1,580 (1,540-1,600).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.25-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.44-0.50 (same).

COBALT: MB free market, 99.8 per cent, $ per lb, in warehouse, 12.30-13.35 (12.30-13.90); 99.3 per cent, $ per lb, in warehouse, 9.50-10.30 (9.20-10.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-135 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.25-2.30.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 27-39 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.30-1.40 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.00 (7.10).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+1,700	to 1,901,075
Copper	-175	to 446,800
Lead	unchgd	to 281,600
Nickel	+1,382	to 86,868
Zinc	+7,975	to 697,475
Tin	-105	to 20,365

Norway calls for correction of deficiencies in EC regime

By Karen Fossli in Oslo

NORWAY YESTERDAY spelt out a long list of demands on fisheries to the European Community and pointed out deficiencies in the EC's regime that would have to be corrected if it was to become a member.

"The outcome of the membership negotiations in this area will play a decisive role in determining the public attitude on Norwegian accession to the community," it warned Brussels officials.

Mr Jan Henry T. Olsen, the anti-EC fisheries minister, reiterated that Norway had no more fish to give away to the community.

Norway failed to get the backing for EC membership in a 1972 referendum partly because the community adopted a fisheries policy shortly before it was going to make the decision to join.

Key issues in the discussions this time include mutual access to waters, management and conservation, control of quotas and technical regulations, structural matters, market access and market organisation.

Norway attached the greatest importance to the continuation of its regime ensuring control and sustainable management of marine resources and aquaculture activities.

It said recognition by the EC of the fundamental relationship between Norway's coastal population settlements and fish resources was essential.

Norway demanded arrangements to ensure that fishing quotas remained at the disposal of member states to which they had been allocated. It attached particular importance to stringent enforcement of quotas and technical regulations while insisting that it must be allowed to uphold its own first-hand sales system.

WORLD COMMODITIES PRICES

MARKET REPORT

Precious metals were sharply higher on the London bullion market as aggressive US fund activity followed Middle East speculative buying in the morning to push **GOLD, SILVER** and **PLATINUM** to fresh highs. Gold was fixed in the afternoon at $391.65 a troy ounce, a fresh high since the *outbreak of the Gulf War, against* a morning setting of $388. Silver built on overnight and early gains to reach $5.07 a troy ounce at its *fix, a 35-month high. Platinum* jumped over $10 from morning levels to fix in the afternoon at a 27-month high of $404.25 a troy ounce *after $393.50 earlier.* The speculative buying began with silver during the overnight Far East session and then spilled over into gold and platinum. "There were some extremely large orders being put around," one dealer said. Despite bouts of profit-taking in New York, aggressive fund buying of gold, silver and platinum *maintained early highs.* London dealers said the gold market would now be looking for a strong close in New York as a sign that $400 *is on the cards. "We'll see it some* time this week, but we'll probably get a minor pull-back first," said a New York dealer.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Aug)		**+ or -**
Dubai	$14.80-4.84z	+0.27
Brent Blend (dated)	$17.13-7.18	+0.24
Brent Blend (Aug)	$17.16-7.16	+0.22
W.T.I (1 pm est)	$18.38-8.41z	
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$198-200	
Gas Oil	$163-165	+1.5
Heavy Fuel Oil	$60-62	
Naphtha	$170-172	+4
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$391.75	+3.9
Silver (per troy oz)♣	508.5c	+20
Platinum (per troy oz)	$404.25	+11.5
Palladium (per troy oz)	$140.25	+3
Copper (US Producer)	90.50c	
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	12.90m	
Tin (New York)	235.5c	
Zinc (US Prime Western)	62.00c	
Cattle (live weight)†	138.87	-0.87*
Sheep (live weight)†♦	100.71p	-11.4*
Pigs (live weight)†	63.98p	-3.03*
London daily sugar (raw)	$275.30	
London daily sugar (white)	$279.00	
Tate and Lyle export price	£284.50	
Barley (English feed)	£106.0t	-1.5
Maize (US No. 3 yellow)	£168.5	
Wheat (US Dark Northern)	£147.0u	
Rubber (Aug)♥	58.50p	
Rubber (Sep)♥	59.00p	
Rubber (KL RSS No 1 Jul)	207.5m	
Coconut oil (Philippines)§	$450.0v	+10
Palm Oil (Malaysian)§	$357.5t	+5
Copra (Philippines)§	$290u	
Soyabeans (US)	£197.5x	
Cotton "A" Index	58.65c	
Woodtops (64s Super)	352p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul/Sep. z-Aug. x-Sep/Oct u-Jul t-Oct/Dec s-Aug/Oct ¶London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♦Sheep prices are now live weight prices † change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Aug	276.00	278.30	277.60 275.00
Oct	271.30	271.50	273.60 270.10
Mar	271.80	272.00	274.00 271.30
May	276.50	274.80	276.50

White 254 (313) Paris- White (FFr per tonne): Aug 1596.89 Oct 1581.73

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Aug	17.11	16.93	17.20 16.95
Sep	17.24	17.07	17.31 17.10
Oct	17.39	17.27	17.47 17.26
Nov	17.55	17.40	17.60 17.48
Dec	17.75	17.72	17.75 17.66
Jan	17.82	17.85	17.82 17.82
IPE Index	16.91	16.89	16.91 16.91

Turnover 33117 (16009)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Jul	161.75	180.25	162.75 160.25
Aug	161.75	161.25	162.75 161.00
Sep	163.25	162.50	164.25 163.00
Oct	166.00	165.75	167.25 166.00
Nov	168.00	168.00	169.75 168.00
Dec	170.50	170.60	171.50 170.50
Jan	171.50	171.70	171.75 171.50
Feb	171.25	171.25	171.25 170.00
Mar	169.25	169.25	169.25 168.00

Turnover 20915 (9333) lots of 100 tonnes

COTTON

Spot and shipment sales in Liverpool amounted to 262 tonnes for the week ended 2 July against 84 tonnes in the previous week. Improved demand brought moderate purchases mainly in Central Asian and American descriptions. Pakistani growths made some headway.

JUTE

Jul/Aug: C and F Dundee- BTC USD315, BWC USD325, BTD USD295, BWD USD300, C and F Antwerp- BTC USD305, BWC USD305, BTD USD280, BWD USD290.

COCOA – LCE (£/tonne)

	Close	Previous	High/Low
Jul	738	733	746 738
Sep	745	745	754 741
Dec	746	745	756 742
Mar	758	757	765 755
May	769	767	775 766
Jul	783	777	782 778
Sep	796	789	797 794
Dec	813	807	820 314
Mar	832	823	839 831
May	844	838	847 846

Turnover: 8386 (4964) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 5 n/a (758.13) 10 day average for Jul 6 n/a (727.26)

COFFEE – LCE ($/tonne)

	Close	Previous	High/Low
Jul	952	919	960 927
Sep	978	953	1000 953
Nov	974	951	990 955
Jan	972	947	990 952
Mar	971	948	973 949
May	971	948	950

Turnover: 6010 (2605) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 5 Comp. daily n/a (56.17) 15 day average n/a (55.01)

POTATOES – LCE (£/tonne)

	Close	Previous	High/Low
Apr	95.1	93.2	95.1 93.0
May	102.0	102.5	102.0

Turnover 44 (110) lots of 20 tonnes.

SOYAMEAL – LCE (£/tonne)

	Close	Previous	High/Low
Oct	163.50	-	163.50
Dec	166.00	-	166.00

Turnover 50 (0) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)

	Close	Previous	High/Low
Jul	1300	1306	1310 1296
Aug	1283	1280	1283 1275
Sep	1314	1313	1315 1311
Oct	1360	1359	1360
Jan	1398	1405	1400 1390
Jul	1278	1275	1278 1270
BFI	1424	1436	

Turnover 77 (86)

GRAINS – LCE (£/tonne)

Wheat	Close	Previous	High/Low
Nov	106.75	106.95	106.70 106.50
Jan	109.25	109.40	109.25 106.95
Mar	111.35	111.55	111.35 111.10
May	113.60	113.85	113.60 113.40
Barley	**Close**	**Previous**	**High/Low**
Nov	105.70	105.85	105.80 105.80
May	111.20	111.60	111.60 111.20

Turnover: Wheat 356 (219), Barley 42 (58).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	109.5	-	109.5
Oct	105.0	-	105.0

Turnover 4 (4) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 53,871 lots	
Cash	1230-1	1240-1		1231-1.5		
3 months	1254-5	1263.5-4.0	1255/1247	1255.5-6.0	1251-2	230,114 lots
Copper, Grade A ($ per tonne)					Total daily turnover 61,825 lots	
Cash	1939-40	1946.5-7.5	1948	1949-9.5		
3 months	1946-7.	1946.5-7.0	1953/1935	1953-4	1947-8	236,608 lots
Lead ($ per tonne)					Total daily turnover 2,672 lots	
Cash	376-7	384.5-5.5		371-1.5		
3 months	390-1	399-400	399/388	385.5-6.5	391-2	22,859 lots
Nickel ($ per tonne)					Total daily turnover 7,761 lots	
Cash	5150-60	5280-90		5135-40		
3 months	5210-20	5340-5	5320/5180	5163-5	5195-200	49,474 lots
Tin ($ per tonne)					Total daily turnover 2,033 lots	
Cash	4985-95	5055-65		4995-5005		
3 months	5040-50	5110-5	5110/5045	5055-60	5040-5	10,536 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 15,105 lots	
Cash	919-20	923.5-4.5	920/910.5	919.5-20		
3 months	936-7	941-2	940/935	937-7.5	935-6	70,957 lots

LME Closing £/$ rate:
SPOT: 1.5064 *3 months:* 1.4975 *6 months:* 1.4907 *9 months:* 1.4838

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	391.50-392.00	
Opening	387.20-387.60	
Morning fix	388.00	257.518
Afternoon fix	391.65	259.318
Day's high	393.00-393.50	
Day's low	387.00-387.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.47	6 months	2.51
2 months	2.50	12 months	2.54
3 months	2.50		

Silver fix	p/troy oz	US cts equiv
Spot	336.90	507.00
3 months	341.70	510.85
6 months	346.20	514.85
12 months	355.80	524.50

GOLD COINS

	$ price	£ equivalent
Krugerrand	392.00-395.00	260.00-262.00
Maple leaf	403.20-405.75	-
New Sovereign	92.50-95.50	61.00-63.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1225	39	66	22	44
1250	26	52	34	57
1275	17	40	40	70
Copper (Grade A)	**Calls**		**Puts**	
1900	62	109	30	60
1950	54	83	52	84
2000	33	62	81	112
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
850	131	134	3	10
900	87	96	9	22
950	52	65	24	41
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
725	36	54	18	33
750	24	41	29	45
775	16	32	45	61
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1700	27	60	17	37
1750	8	34	45	55
1800	-	19	92	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	392.3	385.9	0	0
Aug	393.1	386.7	394.5	391.1
Sep	394.1	387.7	392.5	392.5
Oct	395.2	388.7	397.0	393.5
Dec	397.1	390.6	398.5	395.3
Feb	398.8	392.3	400.1	397.6
Apr	400.5	394.0	401.5	399.0
Jun	402.2	395.6	402.0	402.0
Aug	404.0	397.4	403.5	403.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	408.9	391.3	407.5	398.0
Oct	409.1	393.5	413.0	401.0
Jan	409.6	394.0	411.0	403.0
Apr	410.1	394.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	509.5	486.1	511.0	499.0
Aug	510.9	487.4	506.0	506.0
Sep	512.5	489.0	513.5	503.0
Dec	517.9	494.2	519.5	508.0
Jan	518.5	494.8	0	0
Mar	522.8	499.0	525.0	515.5
May	526.7	502.8	527.0	516.0
Jul	530.2	506.2	530.0	529.0
Sep	534.0	509.9	0	0
Dec	539.7	515.5	543.0	530.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	86.75	87.10	87.35	86.50
Aug	87.00	87.45	87.20	86.90
Sep	87.35	87.75	88.00	86.70
Oct	87.40	87.70	0	0
Nov	87.45	87.70	0	0
Dec	87.55	87.65	87.95	87.00
Jan	87.65	87.65	87.70	87.70
Feb	87.75	87.65	0	0
Mar	87.85	87.75	87.90	87.10
Apr	87.95	87.80	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	18.37	17.95	18.44	18.03
Sep	18.61	18.28	18.69	18.38
Oct	18.80	18.54	18.88	18.70
Nov	18.99	18.78	19.03	18.90
Dec	19.17	18.96	19.24	19.10
Jan	19.34	19.11	19.37	19.29
Feb	19.44	19.22	19.45	19.40
Mar	19.55	19.31	19.56	19.45
Apr	19.60	19.38	19.60	19.80
May	19.64	19.45	10.64	10.64

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	51.50	50.79	51.95	51.10
Sep	52.40	51.74	52.80	52.10
Oct	53.60	52.89	53.90	53.25
Nov	54.70	54.04	54.85	54.45
Dec	55.70	55.14	55.95	55.40
Jan	56.60	55.94	56.80	56.15
Feb	56.90	55.89	56.95	56.60
Mar	56.10	55.09	56.10	55.75
Apr	54.80	54.09	0	0
May	54.50	53.18	54.50	54.30

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	959	355	970	953
Sep	984	978	993	977
Dec	1007	1000	1017	1001
Mar	1030	1029	1042	1026
May	1051	1040	1049	1547
Jul	1073	1070	1075	1875
Sep	1094	1093	1092	1085
Dec	1115	1115	1118	1110
Mar	1140	1144	1154	1140
May	1180	1169	1158	1152

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	70.60	63.55	70.95	64.80
Sep	71.65	64.70	72.00	66.75
Dec	73.10	67.10	73.10	69.75
Mar	75.30	69.30	75.30	72.00
May	77.00	71.00	76.75	75.90
Jul	78.60	72.60	0	0
Sep	80.20	74.20	80.00	78.00
Dec	83.20	77.20	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	10.75	10.64	10.80	10.45
Mar	10.58	10.40	10.60	10.40
May	10.53	10.38	10.55	10.47
Jul	10.40	10.32	10.40	10.35
Oct	10.29	10.23	10.30	10.25

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	54.85	53.75	54.90	54.50
Oct	57.47	56.25	58.00	56.55
Dec	58.15	56.50	58.38	56.87
Mar	59.05	57.50	59.20	57.95
May	59.62	58.01	58.75	58.95
Jul	60.10	56.75	0	0
Oct	60.00	58.75	0	0
Dec	60.60	60.15	60.75	60.28

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	124.20	124.25	124.40	120.50
Sep	126.55	126.55	127.70	124.10
Nov	129.50	129.95	130.10	127.25
Jan	131.50	131.10	131.80	129.00
Mar	133.00	133.50	133.00	130.00
May	133.45	133.00	132.90	131.00
Jul	133.45	133.00	133.60	133.25
Sep	133.45	133.00	0	0
Nov	133.45	133.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 6	Jul 5	mnth ago	yr ago
1679.9	1660.4	1657.7	1540.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 5	Jul 2	mnth ago	yr ago
Spot	n/a	123.10	-	n/a
Futures	n/a	123.70	-	n/a

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	703/0	664/0	705/4	682/0
Aug	695/4	665/4	695/4	689/0
Sep	695/4	665/4	695/4	690/0
Nov	697/6	667/6	697/6	688/0
Jan	700/2	670/2	700/2	696/0
Mar	703/2	673/2	703/2	695/0
May	706/0	676/0	706/0	698/0
Jul	706/4	676/4	706/4	699/0
Aug	698/0	668/0	696/0	698/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	25.05	23.85	25.15	24.25
Aug	24.90	23.90	24.90	24.45
Sep	25.02	24.02	25.02	24.80
Oct	25.13	24.13	25.13	24.83
Dec	25.35	24.35	25.35	25.02
Jan	25.39	24.39	25.39	25.05
Mar	25.45	24.45	25.45	25.10
May	25.47	24.50	25.50	25.05
Jul	25.35	24.45	25.35	25.20
Aug	25.32	24.43	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	220.7	206.3	221.0	214.0
Aug	215.9	205.9	215.9	213.0
Sep	216.3	206.3	216.3	214.0
Oct	216.7	206.7	216.7	214.5
Dec	218.2	208.2	218.2	216.8
Jan	217.7	207.7	217.7	215.5
Mar	217.0	207.0	217.0	216.0
May	217.0	207.0	217.0	214.5
Jul	216.5	206.5	216.5	213.0
Aug	216.5	206.5	216.5	215.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	240/4	231/4	242/4	235/4
Sep	249/2	238/4	250/4	242/4
Dec	258/4	248/6	260/0	253/0
Mar	264/6	255/0	266/2	259/0
May	268/4	259/0	270/0	264/4
Jul	268/4	260/6	270/4	264/0
Sep	257/0	252/2	259/0	257/0
Dec	253/2	249/4	255/0	251/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	313/0	302/2	322/0	309/0
Sep	312/6	302/4	322/0	307/4
Dec	322/4	313/4	331/4	316/4
Mar	327/0	316/4	334/4	319/4
May	324/0	313/0	329/0	320/0
Jul	317/0	308/0	318/0	310/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.900	75.450	75.550	74.700
Oct	74.950	75.475	75.600	74.725
Dec	75.650	75.725	75.800	75.350
Feb	75.325	75.925	75.600	75.100
Apr	76.500	76.675	76.650	76.250
Jun	73.350	73.500	73.600	73.200
Aug	72.300	72.475	72.550	72.025

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	48.125	49.275	49.625	48.875
Aug	47.925	47.800	48.700	47.675
Oct	43.750	43.300	44.000	43.200
Dec	44.650	43.875	44.900	44.200
Feb	45.100	44.200	45.250	44.700
Apr	43.900	43.000	44.200	43.300
Jun	49.750	49.100	49.750	49.300
Jul	49.200	48.600	49.200	48.800

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	37.275	36.900	38.100	36.800
Aug	36.625	35.825	37.000	35.750
Feb	45.670	43.875	45.675	44.350
Mar	45.150	43.150	45.150	44.150
May	45.500	43.500	45.500	0
Jul	43.600	41.600	43.600	43.600
Aug	46.000	44.000	46.000	46.000

Firm pound and gilts boost shares

By Steve Thompson

ANOTHER strong performance from sterling and gilts, coupled with a better than expected opening by Wall Street and good gains across most European bourses, helped the recently bruised UK equity market stage a good recovery yesterday.

The FT-SE 100 Index, having plummeted more than 60 points during the previous three trading sessions, stabilised and closed 9.6 better at 2,848.1, with dealers encouraged by a sharp increase in the volume of business going through the market after Monday's dismal turnover levels.

Sterling's continuing strength and that of the gilts sector prompted talk around the City of London that a reduction in UK interest rates is not entirely out of the question, while there was also speculation in foreign exchange markets that a further cut by the Bundesbank is not beyond the realms of possibility.

Dealers said worries that the recovery in the UK economy, so long in coming, could be fading had triggered the latest rate cut stories, although they stressed that there was no great conviction behind the latest speculation.

Recent data on money supply and consumer credit has pointed to a slowing in the economy, while the latest survey from the Institute of Directors showed the first fall in business confidence since Britain's withdrawal from the exchange rate mechanism last year. Another dampener for the market came with a Gallup opinion poll suggesting that manufacturers are adopting an increasingly gloomy outlook for exports as the rest of Europe moves into recession.

There was also an element of uncertainty in markets ahead of the G7 meeting in Tokyo which commences today.

London's stock market made a bright start to the day, led higher by a strong opening by the Footsie future. The latter was in positive territory all day, although traders spoke of miserably low levels of business in the derivatives areas of the market.

Opening almost five points higher at 2,843, the FT-SE 100 moved progressively ahead, touching the day's best, 12.9 up at 2,851.4 in mid-morning, before easing off to finish at 2,848.1.

The FT-SE Mid 250 Index delivered an equally good performance, ending the session 13.1 stronger at 3,232.1.

Turnover in equities showed a welcome improvement from Monday's thoroughly depressed levels, when volume of 384m shares, among the lowest daily levels this year, was worth only £761.5m in customer business.

The value of retail business has fallen below the £1bn on only a handful of occasions this year. Yesterday saw 554.3m shares traded, with non-FT-SE 100 stocks accounting for 380.4m shares, or 69 per cent of total turnover.

Drug issues, which provided the FT-SE 100's three worst performing stocks last month in Wellcome, SmithKline Beecham and Glaxo, down 15 per cent, 9.9 per cent and 9.4 per cent respectively, according to Carr Kitcat & Aitken, the stockbroker, were in the vanguard of the market's advance. Analysts said the stocks had been oversold and had been due for a rally.

Enlivening a generally uninspiring trading session was a substantial bought deal engineered by Smith New Court, which bought and sold Sears' 25 per cent stake in Asprey, the royal jewellers.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Sears sells Asprey holding

THE DECISION by Sears to sell its 25 per cent stake in Asprey saw more than 20m shares being sold into the market, with Smith New Court, newly appointed yesterday as Asprey's broker, placing the stake in a bought deal. Smith refused to divulge details of the exercise, but marketmakers said they believed the broker got most of the stock away at 267p. The price Smith paid for the stake was unknown.

Details of the share placing had not appeared on the Seaq information service yesterday – prompting some speculation that perhaps not all the shares had been placed. Sears also converted its 18.5m non-voting participating preferred shares into 41m 8.25 per cent preference shares, which were subsequently placed with around 65 Institutions by Collins Stewart, the stockbroker. The preference share placing was "heavily oversubscribed", according to Collins Stewart.

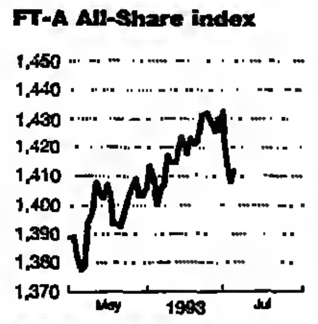
Sears also said it was closing down a loss-making Dutch mail order business. The costs of this virtually wiped out the profits – some £7m – made from the Asprey sale. The shares closed a halfpenny off at 98½p, while Asprey put on 5 at 293p.

Greycoat deal

Property shares showed good gains in the wake of the deal agreed by Greycoat with its main shareholder, Postel, to secure its future. "It is another sign that the financiers see a healthy future for the sector," said one property analyst. However, speculative investors in Greycoat, who had piled in to the 9¾ per cent preference shares on Monday ahead of the well-publicised negotiations with Postel and pushed the price up 17¼ to 51¾p, saw most of their gains evaporate. The stock ended 11¾ down at 39p, after 34p. The ordinary shares lost 2 at 17p.

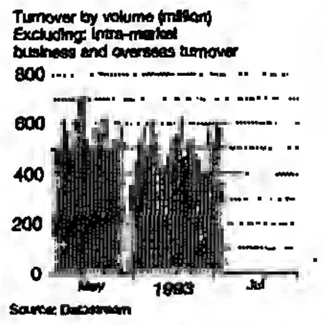
Meanwhile, BZW took the opportunity to raise its forecast for capital value movements for 1993/94. However, in spite of pent-up investment demand for "quality" properties estimated at £7bn, the broker believes that property shares will soon enter a period of consolidation. Among the majors yesterday, MEPC moved ahead 8 to 402p, Hammerson "A" 9 to 290p, Land Securities 9 to 585p and British Land 7 to 328p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business and overseas turnover



Source: Datastream

Food stocks hit

Broker and institutional presentations by a number of food manufacturing groups led to a welter of downgrades in the sector yesterday. *United Biscuits* appeared to be the hardest hit as three profit downgrades were reported by dealers following meetings in the City. BZW, Cazenove and Hoare Govett were all said to have reduced their forecasts, with the blame being attached to difficulties being encountered by UB in passing on rising costs to the powerful food retailers. UB shares tumbled 7 to 374p.

Elsewhere, Unilever recovered from talk of a downgrade by *SG Warburg* to advance 5 to 1005p. Hillsdown's forecasts were also reported to be under review by a number of houses. The shares slipped a penny to 143p.

Granada active

Granada underlined its predatory intentions in the television sector with another move into the market to pick up stock in London Weekend Television. The catering to leisure group bought a further 4.5m preferred shares in LWT at 500p each, taking its stake up to 19.99 per cent. The shares crept up a penny to 483p. Granada retreated 4 to 417p.

Leisure and media analysts were sceptical over press reports that the two groups were discussing a merger, particularly prior to the government's expected prounouncement's on the very subject, due by the end of the year.

Drugs stocks Glaxo and Wellcome shrugged off recent weakness to register sharp advances. Dealers said that the corrections were underpinned by some keen US buying, as well as a short position undertaken by one of the leading London marketmakers. Glaxo added 14½ to 561½p. Wellcome gained 13 to 658p.

Confirmation that international conglomerate Lonrho had appointed James Capel as its joint broker with Strauss Turnbull was seen as another move helping to elevate the stock to "blue-chip" status in the market. The shares hardened a penny to 125p. Bargain hunters were seen for English China Clays, boosting the stock 6 to 411p.

Barclays and NatWest were the pick of a rather sluggish banking sector, with both stocks responding to some aggressive buying in the traded options market and lingering hopes of another cut in domestic interest rates. Both share prices moved to within 10p of their all-time highs.

NatWest moved up 6 to 487p on turnover of 3m, while a similar figure was traded in the options market. Barclays rose 4 to 481p on 1.4m traded. Abbey National, up 2 at 417p and TSB 3 to 193p.

The sale and subsequent purchase of a block of 2.2m Sedgwick shares failed to unsettle the stock price which closed only marginally easier at 200p.

A further rally in crude oil prices helped the oil sector stabilise after the hefty losses of recent sessions.

The oil team at NatWest Securities said a move by the UN to allow the Iraqis to sell around $1.6bn worth of oil, for humanitarian reasons and for reparations to Kuwait, would entail the sale of 600,000 barrels of oil a day. "This is not enough to swamp the market by itself but probably enough to prevent prices rising in their normal seasonal pattern in the third quarter," said NatWest.

The broker told its clients to pick up oil issues with good recovery prospects, notably British Petroleum, but warned of the exploration and production sub-sector's vulnerability to weak crude prices.

BP touched 296p, but eased back to close only a fraction ahead at 294p amid talk of a number of profit downgrades in the pipeline, notably from BZW. Shell rallied 5 to 616p.

Burmah Castrol jumped 6 to 617p reflecting its wide exposure to the German economy and hopes of further interest rate cuts in that country.

Among the oil minnows New London shares closed 2¼ off at 5½p after the proposed sale of its International Drilling Fluids business to Schlumberger and the latter's proposed acquisition of a 10 per cent stake in New London, fell through.

Celsis, the medical equipment manufacturer, made an impressive debut in the market, with its floatation via a placing and offer nearly 4 times oversubscribed. The shares issued at 100p peaked at 117p, before profit-taking saw them close just a penny ahead at 101p; turnover was a hefty 9.9m.

Turnover in British Steel rose to 9.5m and the shares shed a penny to 89¼ as NatWest Securities reiterated its sell recommendation following a meeting with the company.

Fears that the current UK defence cutbacks may eventually lead to the UK government scaling down its order for the new Challenger tank hurt Vickers. The shares closed 2 off at 149p. Westland Group on the other hand was cheered by reports that an order for transport helicopters would not be subject to the proposed defence cuts. The shares gained 7 to 221p.

GKN, which has a near 30 per cent stake in Westland, moved 7 ahead to 460p, on the same sentiment and news of an improvement in UK car sales. Lex also benefited from the car news and rose 7 to 386p.

Suggestions that Saudi Arabia was about to place a substantial order for Airbus aircraft, for which British Aerospace builds the wings and holds a 20 per cent stake in the company, boosted BAe. The shares closed 6 up at 392p.

BT performed strongly, closing 8 higher at 426p, with 5.6m shares traded, after news that the company had received 5.2m registrations for the BT 3 share offer. Dealers said the shares were helped by strong support in the traded options market where the equivalent of a further 6.3m shares changed hands.

Positive talk from Kleinwort Benson was said to have helped Boots, the shares gaining 6 to 433p. Analysts said MFI, off 1¼ at 131½p, had weakened after being downgraded by Goldman Sachs.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Christopher Price.

■ Other statistics, Page 19

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (141).
BRITISH FUNDS (15) OTHER FIXED INTEREST (3) African Devlpt. 11¼pc '10, Asian Devlpt. 10¼pc '09, Hydro Quebec 15pc '11. CANADIANS (3) Amer. Barrick, Echo Bay, TVX Gold, BREWERS (1) Matthew Clark, BLDG MATLS (1) Heywood Williams Pf., BUSINESS SERVS (1) Brit. Data Mngmt., CHEMS (3) Akzo, Croda, Porvair, CONGLOMERATES (1) Porter Chadburn, CONTG & CONSTRCN (1) Sheriff, ELECTRICALS (3) BICC Cap. 10¾pc Cv '20, Pitco, Do A, ELECTRONICS (8) Alba, Cray, ISA, Radamec, Sema, Kewill Systems, P & P, Serna, TGI, ENG AERO (1) Westland, ENG GEN (6) Bullough, Cerclo, Dyson (J & J), Do A, Kvaerner, Renold, FOOD MANUF (1) Golden Vale, FOOD RETAILING (1) Greggs, HEALTH & HSEHOLD (1) Amersham, HOTELS & LEIS (2) Allied Leis., Verdon, INSCE COMPOSITE (1) FAI, INV TRUSTS (10) Candover, Drayton Recovery Gwth., Electra, Gartmore Value Zero Pf., Grosvenor, Primadona, Scottish Inv. Wts., Sphere Zero Pf., Sumit, TR Technolgy Zero Pf., MEDIA (4) Haynes, LWT 3.9375p Pf., Sterling, Yorks. Tyne-Tees, MTL & MTL FORMING (2) Lee (A), Tinsley (E), MISC (3) Holders Tech., Nobo, Osborne & Little, MOTORS (6) Evans Halshaw, First Tech., Gowrings, Henlys, Lex Service, Lookers, Do 8pc Pf., Mid-States, OIL & GAS (1) Pict, OTHER FINCL (3) Edinburgh Fd. Mngrs., INVESCO, Jupiter Tyndall, Perpetual, St James Pl., OTHER INDLS (2) Suter, Whitecroft, PACKG, PAPER & PRINTG (4) Bemrose, Ferry Pickering, Kymmene, Replos, PROP (2) Brit. Land 8⅝pc Pf., Slough 8⅝pc Pf., STORES (6) Betterware, Courts, Fine Arts Devlpt., Moss Bros., Stylo, TEXTS (2) Dewhirst, Worthington, TRANSPORT (4) Brit. Airways, Do 9⅝pc Cv., Forth Ports, Seacon, MINES (35).
NEW LOWS (33).
BRITISH FUNDS (1) Treas. 14½pc '94. CANADIANS (1) Derlan, BANKS (1) Espirito Santo, BREWERS (1) Wolv. & Dudley, CHEMS (4) Anglo Utd., Caird, Do 7p Pf. '08, Plysu, CONTG & CONSTRCN (2) Baris, Edmond, Raine, ELECTRICALS (1) Electrolux, ELECTRONICS (1) Psion, ENG GEN (2) Barry Wehmiller, 600 Grp., FOOD MANUF (3) BSN, Everest, Yorkshire, FOOD RETAILING (2) Morrison (Wm), Do 5¼pc Pf., HEALTH & HSEHOLD (3) Bespak, Haemocell, Novo, MEDIA (1) Radio Clyde, MISC (1) Cornwell Parker, OIL & GAS (2) Intl. Petrlm., New London, PACKG, PAPER & PRINTG (3) SCA, Smurfit (J), St Ives, PROP (1) Waterglade, STORES (2) Boots, Country Casuals.

FINANCIAL TIMES EQUITY INDICES

	July 6	July 5	July 2	July 1	June 30	Year ago	* High	* Low
Ordinary share	2235.0	2225.3	2237.9	2262.0	2270.9	1906.2	2269.5	2134.7
Ord. div. yield	4.12	4.15	4.13	4.10	4.09	4.81	4.52	4.07
Earning yld % full	4.91	4.93	4.90	4.86	4.85	7.05	6.36	4.82
P/E ratio net	26.08	25.95	26.14	26.33	26.41	17.79	26.57	19.40
P/E ratio nil	24.18	24.06	24.19	24.37	24.45	16.51	24.60	18.14
Gold Mines	233.7	225.2	228.8	208.4	208.0	68.0	233.7	60.0

*for 1993. Ordinary share Index since compilation: high 2269.5 10/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2230.8	2236.1	2233.0	2237.4	2235.8	2237.0	2237.8	2236.1	2234.5	2238.0	2230.8

Volume	July 6	July 5	July 2	July 1	June 30	Year ago
SEAQ Bargains	23,837	25,014	33,980	30,088	28,598	21,241
Equity Turnover(£m)†	-	761.5	1238.9	1397.6	1098.2	844.0
Equity Bargains†	-	29,544	38,181	37,076	34,356	23,270
Shares traded (ml)†	-	385.0	585.2	598.2	517.1	331.9

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

STOCK INDEX futures traded in a very tight range of about 10 points, with the withdrawal of the big institutions to the sidelines leading to poor volume, writes Joel Kibazo.

Having opened at 2,848, the September contract on the FT-SE 100 briefly declined to 2,846 but soon recovered on renewed hopes of a reduction in UK interest rates, a firm gilts market and the strength of sterling.

For most of the session, September was traded in a narrow range of 5 or 6 points, with the day's high of 2,858 recorded at around 11am. However, volume was poor, reaching only 3,862 contracts by the close, well below recent levels. Only yesterday, Liffe announced a 47 per cent increase in total volume since June 1992.

September finished at 2,851, up 47 from its previous close but around 3 points below its fair value premium to cash of 7 points.

In traded options, turnover remained buoyant and came to 30,625. Some 6,404 lots were dealt in the FT-SE 100 option and 3,302 in the Euro FT-SE option. In the stock options, BT led the way with a total of 6,302 lots transacted, with most of the trade done in the November 460 calls, which saw some 2,060 lots.

It was followed by Barclays at 2,030 contracts, with the December 480 puts the busiest series, and by National Westminster at 2,010 contracts. British Steel and Glaxo were also active.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2848.1 +9.6	3232.1 +13.1	1413.02 +4.66

	Jul 6	Day's change %	Jul 5	Jul 2	Jul 1	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj. ytd	Total Return
[illegible]											

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

FT-SE Actuaries 350 Industry Baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	Change
Constrn	[illegible]											
Health & H	[illegible]											
Water	[illegible]											
Banks	[illegible]											

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						

OTHER FIXED INTEREST

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						

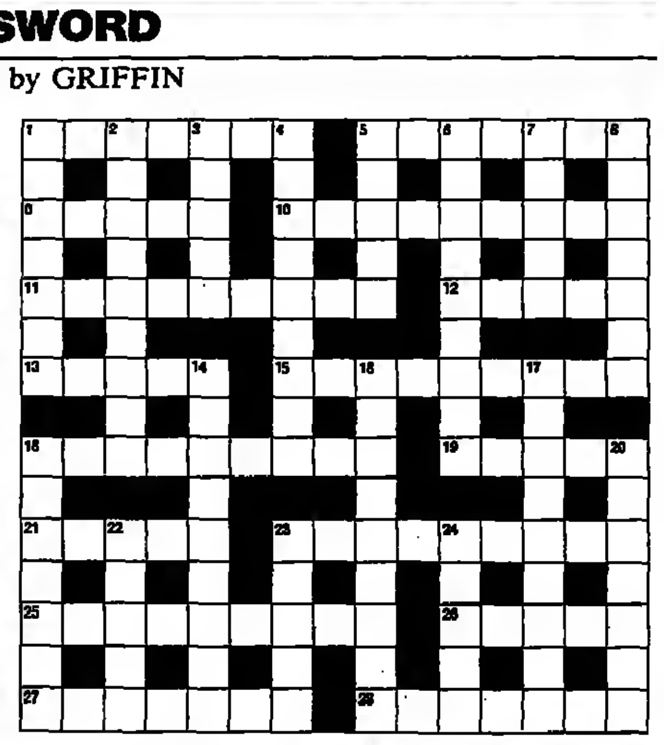
Continued on next page

CROSSWORD

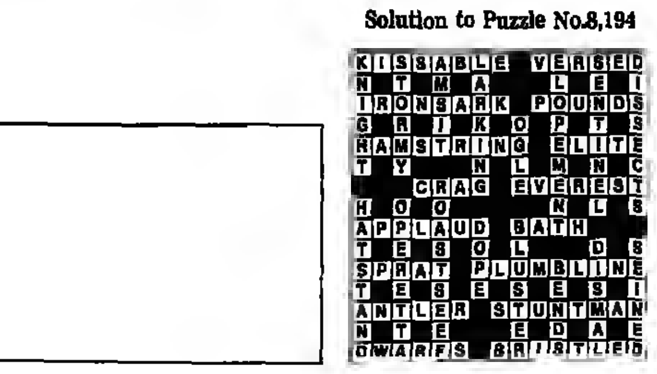
No.8,195 Set by GRIFFIN

ACROSS
1 Spiteful woman introducing nude show (7)
5 Sailor loves travelling free (7)
9 Biting right into tart (5)
10 Using a room below ground level's degrading (9)
11 Priest ran off, it's come to light (9)
12 Could make "sheet" the *plural of this* (5)
13 Many joints get hits knocked off (5)
15 Nice new books I've designed to give encouragement (9)
18 Feeling sorry about one with ten pence (9)
19 Which have to be taken during judo sessions (5)
21 Half tear decoration in colour (5)
23 The cardinal is missing in unusually large church (9)
25 Battle with airmen re-siting gala in empty tower (9)
26 Fool one, getting princess to retire (5)
27 Wrongly applied for US dimes when travelling (7)
28 Shelf on board holding toboggans (7)

DOWN
1 Confused by it reversed into new coach (7)
2 Coarse person taking two counters in a game (9)
3 Travels free to the Middle West (5)
4 To drain it off needed practice (9)
5 Informed it's first class merchandise (5)
6 Need cooking after very little in way of sugar added (9)
7 Tale told, say, in Belgian city (5)
8 In text remedy is described as drastic (7)
14 Times when US daystar becomes hazy (9)
16 Forms covering half of your animals (9)
17 Introducing new singer takes money (9)
16 Vision of MP with hat on crooked! (7)
20 Greets clandestine army regiment carrying instrument (7)
22 Wanting underwear starts spending money (5)
23 Imprisoned for years in empty cupboard (5)
24 Team accepting poor Lee's regretted absence (5)



Solution to Puzzle No.8,194



JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	16¾xd	—	20⅞	15½	14,018	2.6
Allegheny & W. ♥	623p	-5	635p	399p	323.7	3.0
Amdahl	338p	—	581p	302¾p	396.7	8.9
Amer Cyanamid	34¼	—	38⅝	21¼	3,067	3.0
Amer Express	20⅞xd	—	21⅝	14⅞	9,856	3.1
Amer T & T	41⅞xd	—	42½	33⅛	54,941	2.0
Ameritech	52⅝	—	54½	46	23,941	4.4
BankAmerica	29¾xd	—	36⅛	27⅛	16,370	6.6
Bankers NY	49xd	—	51⅛	42⅞	3,902	4.8
Bell Atlantic	38¼	—	39½	32¼	16,617	4.4
BellSouth	38⅛	—	39⅝	32⅞	17,845	4.6
Bethlehem Steel ♥	12¼xd	—	13¼	10	1,108	—
Bowater	1323pxd	—	1662p	1293p	479.4	1.8
CPC	26⅞xd	—	34⅝	26	4,070	3.0
California Engy	1213p	-201	1478p	1066p	220.8	—
Chase Manhattan	21½xd	—	24½	17⅞	3,398	3.6
Chrysler	[illegible]	—	21⅞	21¼	8,913	1.2
Chicorp	20xd	—	20⅞	13⅞	7,311	—
Colgate-Palm	37⅞xd	—	45⅝	38¼	6,047	2.1
Cont'l Bank	1589p	—	1677p	1278p	1,579	2.4
Dana	36xd	—	36¾	29⅞	1,807	2.8
Data General	212p	—	981p	587p	169.9	—
Decora Inds. ♥	134p	—	146p	109p	—	—
Dun & Brad	58½	—	42⅝	37⅛	6,862	4.8
Eaton h	29¼xc	—	51⅛	25⅞	2,036	2.4
Echlin	18⅞xd	—	18⅞	18⅞	1,078	2.4
FPL	26¼xd	—	27⅝	23¼	4,587	8.2
Ford Motor	33xd	—	38½	28⅞	16,187	1.9
Gen Elect	63⅞xd	—	65⅛	53⅝	54,176	2.5
General Host ♥	628p	—	723p	513p	—	4.3
Gillette	66¾xd	—	42⅞	31⅞	8,075	1.4
Hasbro	20⅞	—	20⅞	20⅞	1,810	9.7

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

TELEPHONE NETWORKS

MINES - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Kalis Mixte I£	‡‡	13	—	13	8	0.31	-
Kenmare	✠□	9	—	13½	6	9.01	-
Malinga Res.		16	—	26½	13½	1.06	-
Nevan Res I£	♣	94¾	+3½	109	25	16.1	-
5pc Ln Notes		94¾	+3½	94¾	25	17.1	-
Oryx Gold		75½	—	75½	47	—	-
‡‡Ovoca Res I£		3½	—	3½	3½	0.24	-
RTZ	♣N□	683	+7	709	607	7,055	3.9
Vizcaya	✠	5¾#	—	5¾	2¾	3.08	-

TEXTILES

METALS & METAL FORMING

PROPERTY

MISCELLANEOUS

INVESTMENT COMPANIES

TRANSPORT

OTHER FINANCIAL

WATER

MEDIA

OTHER INDUSTRIALS

SOUTH AFRICANS

STORES

PLANTATIONS

MOTORS

MINES

PACKAGING, PAPER & PRINTING

OIL & GAS

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Top Stock"
- • *Highs and lows marked thus have been adjusted to allow for rights issues for cash*
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis.
F Yield based on prospectus or other official estimates for 1994-95.
$ Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of *any company annotated with ♣ . Ring 081 643* 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT4849. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price inc on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

OTHER UK UNIT T[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Circuit Portfolio	0	£1.2084	1.2084	1.2824	[illegible]	0.10
Gilt	3	[illegible]	[illegible]	1.0812	[illegible]	7.77
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70000						
Income (A & B)	5	211.1	211.1	221.6	+0.2	2.46
Growth (C & D)	5	318.0	318.0	[illegible]	+0.6	–
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 27441						
Govt Secs Fd	4	56.06	56.00	59.15	[illegible]	7.57
Standard Bank Fund Mgmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
International Bond	5		15.02	15.95	+0.03	4.54
Sterling Bond	3		[illegible]	10.28	+0.01	6.44
Sterling Cap			42.87	42.84	+0.01	6.30
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 503002						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	101.30	101.30	104.34	+0.02	6.00
Gilt & Fixed Interest	3	118.25	118.25	122.57	+0.46	7.00
Blue Chip & Gilt Edged	5	80.37	80.37	83.58	-0.06	3.59
International Bond	5	136.82	136.82	142.80	+0.32	4.92
UK Equity	5	254.33	262.16	278.95	+0.46	1.25
International Equity	5	178.52	181.21	190.70	+0.15	0.36
Far Eastern	5	165.74	169.08	178.61	+0.36	0.00
European	5	121.53	126.20	132.84	-0.06	0.00
Pan American	5	365.95	367.93	387.30	+0.31	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	105.74	105.74	110.23	+0.38	7.62
Monthly Share	3	105.09	105.09	109.46	+0.38	7.57

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Asian Selection Funds				
China	$8.278	8.712	+0.005	0.0
Hong Kong	$30.328	31.924	+0.120	0.4
Indonesia	$10.440	10.989	-0.020	0.0
Japan	$9.561	10.064	+0.068	0.0

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Banque Scandinave a Luxembourg SA - Contd.						
Scandifund Bond Fund						
Bond Int. Acc	1	$–	12.27	12.40	+0.02	6.84
Europe Bond Acc	1	$–	1.53	1.56	-0.01	7.15
Bond DEM Acc	1	DM–	1.23	1.25	–	6.64
Bond USD Acc	1	$–	1.42	1.44	–	6.70
Bond Sweden Acc	1	SKr–	16.56	16.72	–	[illegible]
Scandifund International Sicav						
Intl Emerging Markets	$	$–	1.00	1.15	-0.01	–
Barclays Diversified Portfolio						
14 rue Aldringen L-1118 352 4790 2939						
IPB Deutschmark Reserve		DM–	31.59	–	–	–
IPB Sterling Reserve		£–	10.37	–	–	–
IPB Swiss Franc Reserve		SFr–	30.82	–	–	–
IPB US Dollar Reserve		$–	20.33	–	–	–
IPB European Bond		Ecu–	17.76	–	–	–
IPB North American Bond		$–	21.37	–	–	–
IPB Espana		Pta–	2821	–	–	–
IPB Europe		Ecu–	18.31	–	–	–
IPB Japan		¥–	29.10	–	–	–
IPB Pacific Rim		$–	22.73	–	–	–
IPB United Kingdom		£–	11.19	–	–	–
IPB United States		$–	81.45	–	–	–
Barclays Inv Funds (Luxembourg)						
41 Avenue de la Gare L-1611 010 352 404344						
Equity Funds						
European Equity $	5¼	$–	0.806	0.854	+0.002	0.3
Intl Equity $	5¼	$–	1.434	1.520	+0.005	0.3
North Am Eqty $	5¼	$–	34.11	36.27	–	0.7
Pacific Eq $	4¼	$–	6.391	6.795	+0.032	0.5
UK Equity $	5¼	£–	1.106	1.176	+0.006	0.5
Bond Fund						
International Bond $	3½	$–	99.85	104.49	-0.14	5.5
CMI Asset Management (Luxembourg) SA						
203 route d'Arlon, L-1150 Lux 010 352 464525						
CMI Managed Portfolio Investment Company (z)						
Safeguard Portfolio	F.	£–	1.268	1.350	+0.001	–
Growth Portfolio	F	£–	1.132	1.205	+0.003	–
Enterprise Portfolio	F.	£–	1.090	1.157	+0.003	–
CMI Global Network Fund (z)						
Australasian Equity		A$–	13.204		+0.019	–
Benelux Equity		DM–	21.715		+0.202	–
Canadian Equity		C$–	10.064		-0.007	–
SE Asia Equity		$–	13.580		+0.012	0.05
French Equity		FFr–	61.916		+0.002	0.04
German Equity		DM–	18.269		+0.004	–
Iberian Equity		Pta–	762		+5	0.01
Irish Equity		I£–	4.437		-0.010	–
Italian Equity		L–	7602		-65	–

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark loses a little ground

THE D-MARK was a touch weaker against the dollar and European currencies yesterday following remarks from Mr Helmut Schlesinger, the outgoing Bundesbank President, tbat German inflation was slowly coming down, *writes James Blitz.*

But despite this, the market remained unsure about the prospects for furtber cuts in German interest rates. There was continuing concern tbat the French franc could come under pressure Inside the European exchange rate mechanism if the Bundesbank does not reduce its official rates by ½ a percentage point eitber before or immediately after its summer recess.

The D-Mark weakened slightly against the dollar after Mr Helmut Schlesinger, tbe outgoing head of the German central bank, said on Monday night that west German inflation bad come a "step closer" to meeting the Bundesbank's goal of 2 per cent.

Weak employment data continues to put a cap on the dollar, but the US currency closed ½ a pfennig higher against the D-Mark in London yesterday at DM1.7000.

Sterling also continues to profit from the perception that European interest rates are coming down while UK base rates have remalned unchanged for nearly six months. The pound closed at DM2.5675, up ½ a pfennig on the day. Mr Neil MacKinnon, chief currency strategist at Citibank, says the pound still has a strong upside, but this may be capped by the UK policy mix of low interest rates and tight fiscal consolidation which is not positive for currencies.

The Frencb franc was also fractionally stronger against the D-Mark. After closing at FFr3.3860 on Monday night, the franc yesterday finished trading at FFr3.3810.

However, the franc is becoming a focus of attention in the markets. The key issue facing tbe currency is whether the Bundesbank delays implementation of another cut.

The French authorities have had some chance to "go it alone" in monetary policy in recent months. But, although French 3-month interest rates have been some 50 basis points below Germany's in recent weeks, that differential narrowed to 18 basis points yesterday amid concerns over tha deteriorating economic situation and France's restricted ability to cut rates.

Mr Edouard Balladur, the French prime minister, has mitlgated the pressure to reduce rates by concentrating on a fiscal reflation package. Following a major government bond issue, there is now talk of tax cuts to reflate the economy.

But Miss Alison Cottrell, an economist at Midland Global Markets, believes tbe franc could come under pressure if Germany does not ease policy between now and its council meeting on July 29, the last before the summer recess. She believes that good inflation figures could lead to a cut in the Lombard rate on July 29.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 6	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	186.289	-3.40	5.02	57
Spanish Peseta	154.250	149.618	-3.00	4.59	52
Irish Punt	0.808628	0.804691	-0.49	1.94	38
Dutch Guilder	2.19672	2.20196	0.24	1.21	7
Belgian Franc	40.2123	40.3434	0.33	1.12	2
D-Mark	1.94964	1.96018	0.54	0.90	-11
Danish Krone	7.43679	7.54309	[illegible]	[illegible]	[illegible]
French Franc	6.53883	6.63352	[illegible]	[illegible]	[illegible]

£ IN NEW YORK

POUND SPOT - FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY RATES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

S.Af (Cm)	5.0465 - 5.0575	3.3220 - 3.3270
S.Af (Fn)	6.9735 - 6.9885	4.6150 - 4.6250
Taiwan	39.90 - 40.05	26.40 - 26.50
U.A.E.	5.5435 - 5.5565	3.6715 - 3.6735

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

BASE LENDING RATES

MONEY MARKETS

Bullish on sterling

STERLING money market dealers continued to be bullish yesterday about the prospects for a cut in UK hase rates before tbe end of the year, *writes James Blitz.*

For mocb of tbe last few months, there had been an assumption tbat the UK authorities might keep interest rate policy on hold for the rest of 1993. Unemployment bas fallen for 4 consecutive months and inflation ls at historic lows.

However, retail sales and manufacturing output bave both remained sluggish, raising speculation that the government may need to stimulate the economy further.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Sterling's strong performance on the foreign exchanges is the immediate reason for the change in the market's view. With tbe currency touching DM2.5685 to the D-Mark yesterday, the way is open for the government to ease monetary policy wlthout affecting the pound too much.

However, the consensus appears to be that the cut will come towards the end of the year rather than in September. An easing in monetary policy would accompany the tough fiscal consolidation expected in Mr Kenneth Clarke's first budget.

The December short sterling contract closed up 2 basis points at 94.48 yesterday, pricing 3 month money at the end of the year at 5¼ per cent. The September contract closed 2 basis points up on the day at 94.30.

One dealer suggested yesterday that the cut, wben it comes, may be in the order of 1 per cent rather tban ½ per cent. "I cannot see the rationale for going to 5½ per cent base rates," he said. "If the cut is to have an impact it must be higger than that."

The prospect of more rate cuts was enough to encourage some dealers not to offer bills to the Bank of England. There were difficulties removing a £1bn shortage, pushing the overnight lending rate up to 9 per cent. Three-month sterling cash closed unchanged at 5⅞ per cent.

There was slightly more optimism yesterday about the prospect for more German interest rate cuts after the Bundesbank President said that German Inflation could fall further before the end of the year.

The September Euromark contract closed up 4 basis points at 93.20, suggesting that 3 month money will be some 56 basis points below yesterday's casb level of 7.36 per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	July 5	July 2	July 1	June 30	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	(c)	3483.97	3510.54	3516.08	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (2/7/32)
Home Bonds	(c)	107.70	107.62	107.61	107.75 (29/6)	103.49 (11/1)	501.87 (27/4/93)	54.99 (1/10/81)
Transport	(c)	1552.23	1553.91	1549.92	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	(c)	244.13	245.32	244.79	247.68 (16/4)	217.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Ind. Day's High 3511.65 (3542.10) Low 3468.47 (3487.29) (Theoretical♣)
Day's High 3510.27 (3523.00) Low 2481.20 (3509.62) (Actual♣)

STANDARD AND POOR'S

	July 5	July 2	July 1	June 30	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	(c)	445.84	449.02	450.53	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	(c)	508.08	511.67	514.26	524.99 (10/3)	496.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	(c)	44.79	45.19	45.15	45.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	(c)	247.12	248.64	249.10	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	(c)	435.27	435.07	434.24	440.95 (4/6)	396.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	(c)	704.49	703.59	703.95	708.85 (4/2)	645.87 (25/4)	708.85 (4/2/93)	54.87 (31/10/72)

	July 2	Jun 25	Jun 18	year ago (approx.)
Dow Industrial Div. Yield	2.96	2.85	2.95	3.10
	Jun 30	Jun 23	Jun 16	year ago (approx.)
S & P Industrial div. yield	2.51	2.55	2.51	2.72
S & P Indl. P/E ratio	25.42	25.04	25.47	28.03

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Sunshine Min	4,364,800	2¾	—
Carr-Gotts	3,930,300	14⅞	—
Levitz	3,015,600	14	—
YPF Sociedad	2,504,500	21⅛	-⅛
IBM	2,434,400	48¾	-1
Ford Motor	2,175,400	49½	-1½
TJX Co Inc	2,043,400	30¼	-2⅝
RJR Nabisco	2,019,000	5⅝	—
Wal-Mart	1,998,800	25¾	—
Merck	1,856,200	34⅝	-⅛

TRADING ACTIVITY

† Volume (Millions)	July 2	July 1	June 30
New York SE	212.674	281.222	280.880
Amex	15.586	20.414	16.923
NASDAQ	(u)	255.787	265.901
NYSE			
Issues Traded	2,542	2,583	2,545
Rises	815	1,184	1,121
Falls	1,100	816	835
Unchanged	627	583	589
New Highs	81	105	98
New Lows	19	22	33

CANADA

TORONTO	July 5	July 2	July 1	June 30	1993 HIGH	1993 LOW
Metals & Minerals	3015.70	3030.48	(c)	2978.43	3030.48 (2/7)	2743.31 (21/1)
Composite	3880.50	3897.72	(c)	3886.37	3897.72 (2/7)	3275.80 (21/1)
MONTREAL Portfolio	1812.36	1910.65	(c)	1887.14	1938.10 (25/6)	1720.87 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's) ♥ Subject to official recalculation.

	July 6	July 5	July 2	July 1	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1764.2	1765.9	1768.9	1755.3	1768.90 (2/7)	1495.00 (13/1)
All Mining (1/1/80)	827.2	826.7	820.3	794.4	827.30 (6/7)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	334.52	332.94	337.45	341.09	357.78 (9/3)	300.26 (14/1)
Traded Index (2/1/91)	829.81	825.45	840.00	852.58	860.53 (28/5)	712.08 (15/1)
BELGIUM						
BEL20 (1/1/91)	1275.66	1277.88	1282.26	1292.36	1292.36 (1/7)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	311.29	311.39	313.13	314.77	314.85 (30/6)	281.90 (4/1)
FINLAND						
HEX General (28/12/90)	1241.6	1204.0	1173.3	1169.5	1248.20 (21/5)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	533.13	530.67†	535.38	541.71	547.37 (30/3)	471.24 (13/1)
CAC 40 (31/12/87)	1935.12	1925.44	1941.15	1980.15	2035.91 (30/3)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	661.49	658.83	661.08	664.60	675.70 (10/3)	598.92 (14/1)
Commerzbank (1/12/53)	1882.4	1873.9	1881.2	1891.1	1906.10 (10/3)	1694.30 (14/1)
DAX (30/12/87)	1700.87	1692.17	1697.81	1706.63	1711.40 (11/3)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7168.24	7205.41	7217.93	7205.38	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1629.33	1631.36	1632.46	1634.37	1634.37 (1/7)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	533.57	540.83	538.06	534.78	559.17 (20/5)	446.33 (8/1)
MIB General (4/1/93)	1177.0	1183.0	1188.0	1180.0	1238.00 (20/5)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	19629.78	19633.08	19627.46	19924.81	21076.00 (3/6)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1582.90	1585.42	1586.03	1598.03	1676.13 (3/6)	1250.06 (25/1)
2nd Section (4/1/68)	2213.79	2220.95†	2230.44	2341.79	2384.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	731.67	732.51	734.73	719.84	746.29 (11/6)	614.28 (13/1)
NETHERLANDS						
CBS Tr.Rtn.Gen.(End 1983)	348.9	346.2	347.7	349.3	349.30 (1/7)	295.70 (4/1)
CBS All Shr (End 1983)	228.9	227.2	228.2	229.2	229.20 (1/7)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	818.08	814.17	818.97	819.34	827.94 (6/5)	669.03 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1583.51	1579.51	1583.57	1587.04	1854.39 (5/5)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	450.78	452.06	450.57	447.97	468.48 (31/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2090.0♥	2018.0	1992.0	1943.0	2090.00 (6/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4719.0♥	4702.0	4675.0	4682.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	760.00	752.78	746.88	753.26	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	257.83	257.42	259.39	260.31	264.92 (22/6)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1089.6	1086.8	1089.6	1090.9	1098.20 (27/5)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1035.0	1030.5	1033.7	1041.1	1042.50 (30/6)	904.80 (11/1)
SBC General (1/4/87)	810.9	808.4	809.4	811.6	818.90 (6/7)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4047.42	3907.33	3921.85	(c)	5013.28 (7/4)	3088.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	887.42	887.78	887.92	(c)	998.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	562.0*	559.6	560.5	566.7	576.30 (3/6)	488.60 (13/1)
Euro Top-100 (26/6/90)	1005.62	1001.66	1005.87	1012.20	1012.86 (30/6)	882.73 (13/1)

**Saturday July 3: Taiwan Weighted Price, 3911.24, Korea Comp Ex. 748.30.
♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Tuesday, July 6, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	5.7m	349	-5	Nippon Steel	2.3m	366	+5
Shionogi	4.5m	1,090	+30	Tobu Railway	2.0m	827	+8
Sumitomo Mtl Min	3.3m	1,050	+30	Nagase	1.7m	1,120	+20
Nippon Oil	2.8m	806	+16	Hitachi	1.7m	825	+11
Cosmo Oil	2.3m	852	+12	Toshiba Corp	1.5m	673	+3

4 pm close July 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.40	3.6	25	210	13⅝	13½	13½	
29⅜	20	A L Labs A	0.18	0.7	46	60	26⅞	26½	26½	-⅝
63⅞	54⅝	AMP Inc	1.60	2.7	21	949	61⅛	59⅝	60¼	-⅞
72¾	55½	AMR			9	13050	69¾	60⅝	61⅛	-2⅝
3¼	1⅝	ARX			14	1020	d2⅜	2⅛	2⅜	+⅛
51½	29⅞	ASA	2.00	4.0	33	1736	50⅞	50⅛	50½	+1⅛
30¾	22⅝	Abbott Lab	0.68	2.7	16	13021	25⅛	24⅞	24¾	-½
12⅜	10¼	Abitibi Pr	0.80	4.6	4	22	10½	10⅜	10⅜	
14⅛	8¼	Acpincain			212	240	12⅞	12⅝	12¾	+⅛
32	25½	ACE Ltd	0.40	1.4		426	29¼	29⅛	29⅛	-⅛
11¾	10¾	ACM Gvt In x	0.08	8.2		480	u11⅞	11⅝	11¾	+1⅛
10	9⅛	ACM GvOpp x	0.72	7.4		168	9⅝	9⅝	9¾	+⅛
9⅝	8¾	ACM Gvt Sp x	0.80	6.5		171	9½	9⅜	9⅜	-⅛
11⅞	10½	ACM Gvt Se	0.96	8.6		818	11¼	11	11⅛	
11⅛	9⅝	ACM Man x	1.00	0.6		228	u11¼	11	11	+.06
9⅜	8⅝	ACM Managd x	0.72	7.9		225	9¼	9	9⅛	+.05
12⅛	7¾	Acme Cleve	0.40	3.5	14	178	11½	11⅛	11½	
8⅛	6½	Acme Elect			282	5	7⅝	7⅝	7⅝	
24¾	18⅜	Acordia	0.44	2.0	13	127	22½	22⅛	22⅜	+⅛
16	10⅜	Acuson			13	517	12⅛	11¾	11¾	-¼
26¼	19⅝	Adams Expr	0.48	2.3	1	126	20½	20¼	20½	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

AMEX COMPOSITE PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NV Ryan		1	270	7/16	d⅝	⅝	-1/16
Odetics A		350	390	u10⅞	10	10½	+½
Oilsten	0.24	31	2942	26¼	25½	20¼	+¾
Pegasus G	0.10	01	3125	u27	26	27	+1⅝
Penn	0.80	2	15	13¼	d13	13	-⅛
Pet H&F	1.88	11	2	20½	20½	20½	+½
Phil LD	0.23	9	61	35⅞	35⅝	35⅞	+¼
Pittway A	0.80	13	95	24¼	23¾	24¼	+¼
Ply Gem	0.12	17	39	10¾	10⅝	10⅝	-¼
PMC	0.88	10	48	14½	14⅜	14½	+⅜
PresidioA	0.10	1	01	1½	1 7/16	1½	
RaganBrad		612	z100	24½	24½	24½	
RB&W Cp		3	38	5⅝	5⅝	5⅝	
RiedelEnv		15	4	4⅛	d4¼	4⅛	-⅛
SJW Corp	2.04	10	z100	38¼	38¼	38¼	+¼
SthnUnion		20	114	19¾	19¼	19½	-⅜
Stelt B	0.04	13	396	7	6¾	7	+⅛
TII Ind		30	40	1 1/16	1 1/16	1 1/16	
Tab Prods	0.40	38	2	10⅛	10⅛	10⅛	+⅛
Tel&Data	0.34	61	749	44⅞	44⅜	44⅝	+⅝
Thermedics		83	1198	18¾	18⅝	18¾	+⅜
Thermolns		32	55	40	39¾	28⅞	
Total Pet	0.40	21	1104	8	7½	7⅞	+¼

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Cal Engy		18	434	16¼	16	16	-¼
Calprop		0	50	1⅛	d1	1	-1/16
Cambrex	0.30	14	8	19¾	19¼	19¼	-¼
Can Marc	0.28	14	z100	11¾	11¾	11¾	
Chmbrs A	0.01	5	356	4½	4 5/16	4 5/16	-3/16
Chambers		8	0	4½	4⅝	4½	
Garan	0.50	10	15	33¾	33½	33½	-⅜
Giant FdA	0.70	17	949	24¾	24⅜	24½	+⅛
Glatfltr	0.70	19	121	18⅜	17⅞	18	-⅜
Goldfield		17	288	11/16	11/16	11/16	+1/16
Greenman		18	27	5	4⅞	4⅞	-1/16
Gulf Cda	0.34	2	270	3 13/16	3¾	3¾	-¼
Nat Pnt		3	338	3¾	3 11/16	3 11/16	-⅛
New Line		21	130	13⅝	13⅝	13⅝	
NY TimesA	0.56	161	2583	24⅝	24⅛	24¼	-¼
NthCanOil	0.20	47	30	12¾	12¾	12¾	
Numac O&G		70	180	6⅞	6¼	6⅞	
Westamer	0.56	10	19	26	25¾	26	-⅜
WIRET	1.12	20	143	14½	14⅜	14⅝	-¼
Wortmn	0.20	9	50	23¾	25¼	23¾	-½
Xytronix		0	60	u8¾	8¾	8⅞	-⅛

AMERICA

Equities unsettled by US economic fears

Wall Street

ANOTHER rise in bond prices failed to lift US equity markets, which remained unsettled by the recent release of disappointing economic data, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 0.55 at 3,484.52. The more broadly based Standard & Poor's 500 was up 0.40 at 446.24, while the Amex composite was down 0.51 at 434.76, and the Nasdaq composite up 0.67 at 705.16. Trading volume on the NYSE was 125m shares by 1 pm.

Prices were trapped in a narrow trading range throughout the morning, never breaking more than e few points above or below opening values. Many investors and dealers were reluctant to trade equities because of doubts about the outlook for the economy and the approaching second quarter reporting season.

Even strong overseas stock markets, and another jump in bond prices, which eent the yield on the benchmark 30-year bond to a record low of 6.664 per ceot, failed to stimulate buying interest.

Foreign stocks were boosted by last week'e cut in German interest rates, while bond prices rose on reports that the poor June jobs figures would persuade the Federal Reserve to postpone any plans for an inflation-curbing rise in US rates.

General Motors surged $1¼ to $44⅞ on reports that Wall Street analysts were turning increasingly bullish on the stock in the wake of improvements in the company's product line. Ford rose $¾ at $49⅞ and Chrysler $⅝ at $46½.

Selected technology stocks were hard hit hy analysts' downgrades. Hewlett-Packard tumbled $4 to $76½ in volume of almoet 1m ehares after SoundView Financial lowered its 1993 earnings forecast because of concerns over possihle weakness in the printer business.

Tandem Computer slumped $1½ to $10¼ after Morgan Stanley cut its investment rating from a "buy" to a "hold" and lowered its earnings forecast.

Gold etocks were back in favour as metals prices rebounded. Newmont Mining firmed $1¼ to $58⅜. Homestake Mining added $⅞ at $20⅞, and Battle Mountain Gold put on $⅜ at $10.

On the Nasdaq market Apple Computer firmed $¼ to $38⅞ on news that the company plans to shed 16 per cent of its staff.

SAO PAULO put on 3 per cent in moderate midsession trade, the Bovespa index rising 1,642 to 56,502 hy 1.00 pm local time. Midday volnme was Cr3.8 trillion ($67.5m).

The state-run telecoms combine Telebras climbed 3.7 per cent to Cr1,660 and mining giant Vale do Rio Doce turned in a 4.5 per cent gain at Cr3,970.

Canada

TORONTO breached the 4,000 mark again before the TSE 300 composite index pulled back a little in hrisk midday trading, registering a gain of 8.06 to 3,998.55 in volume of 48.63m shares valued at C$665.05m.

Weaker oil and gas stocks placed a cap on the general market advance, the sector index falling 99.94, or 2 per cent to 4,826.53.

However, precious metals stayed strong, rising 247.30, or 2.6 per cent to a year's high of 9,895.06. On the New York futures market, Comex most-active gold surged US$5.30 to US$392.00 per ounce.

EUROPE

Zurich heats up on UBS speculation

SPECULATION in Switzerland and, to a lesser extent, Germany gave bourses a lift, *writes Our Markets Staff.*

ZURICH raised the temperature again as investors heard more details of a SFr180m rights issue from BK Vision, the investment trust which currently has total funds of more than SFr1bn, and which crossed swords recently with UBS, Switzerland's biggest bank.

BK Vision, said Mr Frederick Hasslauer at Swiss Volksbank, disclosed yesterday that 56 per cent of its holdings were in UBS. UBS led banks higher in very heavy trading, on speculation that the BK Vision rights issue would mean more big buying of UBS shares. The bearers rose SFr53, or 4.7 per cent to SFr1,187 and topped the active list. In the same sector, CS Holding firmed SFr70 to SFr2,800 and SBC SFr12 to SFr425.

The SMI index hit a new all-time high of 2,390.5, up 26.5 as turnover recovered after Monday's lull. The traffic was not all one-way. Nestlé came under pressure, falling SFr12 to SFr1,118 as the investment bank, Goldman Sachs, said in New York that it had removed the share from its recommended list.

FRANKFURT looked for more rate cut speculation after the Bundesbank president, Mr Helmut Schlesinger, said in a speech late on Monday that western German inflation had risen at an average of 2.7 per cent over the previous three months on an annualised, and seasonally adjusted basis.

However, the Bundesbank then denied a report that a majority of central bank council members had wanted a sharper cut in interest rates than was decided on last week. The DAX index rose by 8.70 to 1,700.87, nudged upward by some late buying of banks, as turnover rose from DM4.6bn to DM5.2bn.

Dresdner starred with a DM5.60 rise to DM388.50 at the close, and a further gain to DM390 in the London post bourse. Bayernhypo moved up DM2.50 to DM401.50 on the session, and then another DM3.50 to DM405 after hours.

Chemical companies were broadly higher, benefiting from the extended strength of the dollar; constructions, similarly, moved up in echelon, recovering from recent weakness.

PARIS resumed its uptrend following Monday's losses, and the CAC-40 index put on 9.68 to 1,935.12. Turnover remained weak at under FFr2bn.

Total lost an early gain on news of progress in talks between the oil group and Saudi Arabia as the price of crude weakened throughout the day. The shares slipped FFr2.10 to FFr268.90, while those of Elf Aquitaine loet FFr2.30 to FFr384.50.

Automotive iseuee were steady as James Capel reiterated its sell recommendations for Michelin, Peugeot and Valeo yesterday. The hroker downgraded its 1994 profit forecasts for the three companies, although it noted that, in contrast with Michelin and Peugeot, Valeo's profits "ehould hold up relatively well". Valeo closed FFr5 higher at FFr819.

AMSTERDAM also recovered Monday's falls, with a rise in the CBS Tendency index of 0.9 to 113.2. Ahold went against the trend, elipping Fl 2.30 to Fl 95.00 after the sale of a 6.7 per cent stake.

ABN Amro improved Fl 1.80 at FL 57.70 as it announced the purchase of a US bank.

MILAN failed to respond to the Bank of Italy's larger than expected cut in the discount rate, announced after Monday's close. The discount rate now stands at its lowest level for 17 years.

The Comit index closed down 7.26 at 533.57. Ms Marie-Christine Keith, an Italian analyst at NatWest Securities in London, remarked that she had expected a stronger performance, given that the cut of one percentage point had exceeded expectations.

She expected the market to drift over the next few weeks, ahead of a number of announcements due by the end of the month. These include publication of the draft budget for 1994 and details of progress on privatisation issues.

There was some interest in Fiat, partly on rumours of a strategic link up; but the shares closed marginally lower on the kerh, down L6 at L6,225 ahead of car sales data which showed a fall of more than 28 per cent in June against the same 1992 period.

HELSINKI continued to outperform many of Europe's markets on strong demand by foreign investors and positive company reports. The Hex index gained 3.12 per cent to 1,241.6, although it remained slightly below the year'e high, recorded on May 21, of 1,248.

Nokia advanced FM8 to FM199 after announcing the sale of its electrical wholesale operations and a broker'e upgrade.

ISTANBUL declined by another 3.2 per cent in reaction to the attack by Kurdish rebels on an eastern village which left 32 people dead. The composite index plunged 368.7 to 11,328.3 in turnover up to TL905bn from TL805bn.

TEL AVIV dropped for the second consecutive day on weakness in the bond market, the Mishtanim hlue chip index falling 2.87 to 194.30 in turnover of Shk177m.

WARSAW reduced its rate of climb ahead of the release of half-year company results, but the WIG index still put on 133.7, or 3.3 per cent to 4,138.8 in active turnover of 541bn zloty ($30m).

FT-SE Actuaries Share Indices

July 5 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1202.11	1201.71	1202.00	1202.59	1202.69	1202.68	1203.22	1203.04
FT-SE Eurotrack 200	1256.55	1257.13	1258.85	1258.61	1259.25	1258.53	1257.84	1257.80

	Jul 5	Jul 2	Jul 1	Jun 30	Jun 29
FT-SE Eurotrack 100	1197.01	1201.31	1213.21	1208.99	1207.97
FT-SE Eurotrack 200	1253.51	1259.19	1270.98	1266.14	1263.58

Base value 1000 (26/10/90) High/day: 100 - 1204.35; 200 - 1259.62 Low/day: 100 - 1201.57 200 - 1256.55.

Privatisation programme reaches Athens exchange

Kerin Hope on the market debut of Hellenic Sugar

Greece's privatisation programme reached the Athens stock exchange last week with the listing of Hellenic Sugar Industry, the state-owned sugar beet processor. In spite of its small size the flotation has attracted considerable interest, as the first new issue in well over a year.

The Dr7.1bn ($32m) offering, which covers a 37 per cent capital increase and includes a small international tranche, came as the Athens general index was making steady gains after months of wavering. "It has turned out to be quite a good moment to launch," said Mr Nikos Tsiros of Alpha Finance, adviser on the issue, last week, and he was right; the issue was 4.3 times oversubscribed.

The market returned to wavering for a few days but it got back on the upgrade yesterday, the index rising by 9.65 to 761.59 on selective buying, up 13 per cent since the beginning of this year but still well short of its February peak of 882.

Yesterday's June figure for Greek inflation, a fraction better than expected at 15.8 per cent, against 16.4 per cent in May, came too late to affect the equity market, says Mr Stuart Harley of Schroders.

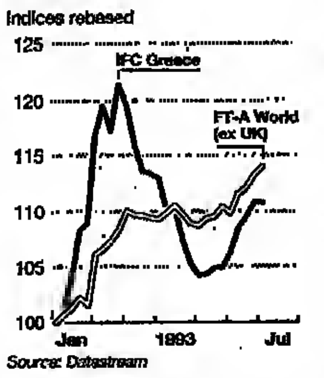
The government has privatised more than 70 concerns in the past two years, including a handful of companies already listed on the bourse. But plans to broaden share ownership in Greece by making disposals through the exchange collapsed as the weak financial position of most nationalised companies became clear.

Hellenic Sugar, a monopoly producer controlled by the state-owned Agricultural Bank, was an exception. The company's earnings soared in the past two years with the lifting of price controls on sugar.

It remains to be seen whether other new issues will follow over the summer. Although the list of Greek companies waiting to go public is lengthening, the market's weak performance over the past two years has acted as a deterrent.

While brokers seem confident that the current recovery will continue, there are fears that the flotation of 14 per cent of OTE, the state telecoms company, planned for November, will soak up all available liquidity.

Greece



Source: Datastream

Even with 5 per cent set aside for an international tranche, together with another 4 per cent for company employees, the remaining 5 per cent, valued at around Dr32bn, would still amount to much the largest public offering ever made in Greece.

In the meantime, Commercial Bank, the second-largest state bank, has postponed the first stage of a Dr50bn rights issue, set for May, without deciding on a fresh date.

Mr Nikos Pantelakis of Midland Pantelakis Securities says: "The OTE offering dwarfs everything that has ever happened on the Athens stock exchange so, naturally, there is some apprehension. But it will give a lot more depth to the market."

In the meantime, the government's announcement of sharper cuts in interest rates on treasury bills, already declining by a quarter-point with each new issue, is likely to send funds back into the stock market. With the savings deposit rate down to 17 per cent, less than one percentage point above the current inflation rate, small investors are starting to return to equities.

While company results for 1992 were mixed, construction groups, expected to benefit from increased inflows of EC funds for infrastructure projects, have greatly outperformed the market. Mechaniki, a leading contractor, is up 56 per cent. Alcatel Greece, which recently started producing fibre optic cables for submarine use, is up by 63 per cent.

Banks have also outperformed the market, by an average of 18 per cent this year. They are led by Ergobank and Credit Bank, the two largest private banks, which had a good first quarter.

However, the average price/earnings ratio is still only 11, and on that basis Greece looks cheaper than other emerging markets. Foreign investors have been returning to Athens as a result.

Mr Alexander Moraitakis of Nuntius Securities says: "What we are seeing is international fund managers buying into Greece again. Funds are coming out of Istanbul, for example, which is now a very expensive market, and moving here."

ASIA PACIFIC

Nikkei gains 1.1% on hopes of a rate cut

Tokyo

ARBITRAGE-related trading pushed cash share prices higher in tandem with the futures market, which rose on renewed hopes of a cut in the official discount rate, *writes Emiko Terazono in Tokyo.*

The Nikkei average gained 206.72, or 1.1 per cent, at 19,829.78 on buying by arbitrageurs and investment trusts. The index fell to the day's low of 19,589.66 just after the opening, and hit the day's high of 19,833.38 in the afternoon.

Volume remained subdued at 180m shares against 140m. The Topix index of all first section stocks rose 7.48 to 1,592.90. Advances led declines by 555 to 397, with 188 issues unchanged. But in London the ISE/Nikkei 50 index eased 0.52 to 1,207.57.

The cash market fluctuated on technical trading due to the low volume. Speculation that Japan will emphasise economic recovery in the G7 communique added to hopes of further monetary easing.

However, traders expect investors to remain inactive ahead of the July 18 lower house elections. In a recent report, Salomon Brothers in Tokyo maintains an optimistic view on equities, commenting that the market will begin to recover as a result of better economic news and opposition proposals to reduce taxes and stimulate the economy.

Hopes of an imminent cut in the discount rate helped interest rate-sensitive large capital issues. Nippon Steel rose Y5 to Y366 while Mitsubishi Heavy Industries gained Y6 at Y642.

Reports of a sharp fall in crude oil prices during recent weeks helped oil refiners on expectations of wider profit margins: Nippon Oil appreciated Y16 to Y806 and Cosmo Oil advanced Y12 to Y852.

Reports that Unicharm had decided to close Academic Unicharm, a computer dating subsidiary, encouraged investors, pushing the nappy manufacturer up Y60 to Y2,780.

In Osaka, the OSE average rose 85.73 to 21,791.81 in volume of 15.5m shares. Rohm, the most active issue of the day, firmed Y50 to Y3,170.

Roundup

THERE WERE mixed performances from the region's markets yesterday.

TAIWAN surged 3.8 per cent in a technical rebound triggered by news that the Formosa Plastics group would soon begin building its long-delayed $7.5bn petrochemical complex.

The weighted index finished 140.09 higher at 4,047.42 as turnover expanded to T$19.35bn from Monday's T$11.92bn. The plastics sector led the gains, forging ahead 5.1 per cent. Formosa Plastics strengthened T$2.20 to T$43.50 in heavy trading.

HONG KONG retreated in subdued trading as investors awaited developments in Sino-British talks. The Hang Seng index shed 37.07 to 7,168.34 in turnover down to HK$2.9bn from Monday's HK$4.2bn.

Some brokers said most fund managers were waiting for the visit of Mr Douglas Hurd, the British foreign secretary, to Beijing later this week to discuss Hong Kong's political reform plans. A separate round of Sino-UK talks ended in Beijing yesterday, with further discussions scheduled for later in the month.

NEW ZEALAND continued to rise, setting a fresh three-year high with Telecom again the focus, adding 3 cents at NZ$3.28. The NZSE-40 index closed 2.53 up at 1,717.85 in turnover of NZ$23.2m.

SINGAPORE eased in thin volume, but with activity particularly noted in Malaysian plantation stocks traded over the counter. The Straits Times Industrial index lost 6.95 at 1,818.97.

KARACHI rose on institutional buying, with investors largely ignoring the continuing political uncertainty arising from what is being seen as a power struggle between President Ghulam Ishaq Khan and Prime Minister Nawaz Sharif. The KSE index moved ahead 10.92 to 1,243.97.

SOUTH AFRICA

THE GOLDS index slipped back moderately from an earlier high, having risen to an intraday peak of 2,112 as the price of bullion broke through the $390 an ounce level. The index was finally up 72, or 3.6 per cent, at 2,090.

Industrials gained 17 at 4,719 on expectations of a cut in interest rates next month, while the overall index put on 36 at 4,210. De Beers rose R1 to R86 on better than expected diamond sales figures.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 5 1993								FRIDAY JULY 2 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	135.10	+0.4	132.52	93.09	118.13	133.37	-0.4	3.75	134.81	132.38	92.53	118.69	133.89	144.19	117.39	147.53
Austria (18)	142.90	-2.0	140.17	98.46	126.00	126.12	-1.8	1.54	145.83	143.42	100.25	128.59	128.21	150.96	131.16	172.05
Belgium (42)	147.81	-0.1	144.98	101.83	130.33	127.21	+0.0	4.50	148.01	145.56	101.74	180.50	127.20	156.76	131.18	148.17
Canada (108)	128.35	-0.1	125.90	88.43	113.17	119.57	-0.2	2.82	128.52	126.39	88.34	113.31	118.86	130.38	111.41	127.20
Denmark (33)	214.70	-1.2	210.59	147.93	189.31	190.88	-1.2	1.18	217.37	213.78	148.43	181.67	192.98	225.64	185.11	244.07
Finland (23)	96.23	+2.5	94.39	66.30	84.85	114.15	+2.1	1.07	93.86	92.31	64.52	82.76	111.78	100.92	65.50	78.78
France (96)	150.88	-0.7	147.77	103.80	132.83	135.65	-0.7	3.33	151.75	149.24	104.31	133.78	136.64	167.36	142.72	162.64
Germany (60)	109.28	-0.3	107.19	75.31	96.36	96.36	-0.3	2.20	109.60	107.78	75.35	96.63	96.63	117.10	101.59	128.74
Hong Kong (55)	290.29	-0.4	284.74	200.01	255.97	288.89	-0.3	3.28	291.39	286.58	200.31	256.95	289.77	301.61	218.82	254.47
Ireland (15)	162.15	-0.5	159.09	111.75	143.01	159.20	-0.2	3.39	162.67	159.98	111.83	143.43	159.45	170.40	129.28	155.01
Italy (70)	68.62	+0.4	67.31	47.28	60.50	78.98	+0.3	1.98	68.38	67.25	47.00	60.29	78.76	72.82	53.78	67.44
Japan (470)	144.30	-0.2	141.54	99.42	127.25	99.42	+0.0	0.83	144.58	142.18	99.39	127.50	99.39	155.96	100.75	101.34
Malaysia (69)	331.13	-0.7	324.80	228.14	291.97	328.52	-0.6	2.05	333.32	327.81	229.12	293.89	330.43	349.34	251.66	240.89
Mexico (19)	1498.57	-0.5	1469.91	1032.53	1321.36	5113.64	-0.6	0.96	1505.53	1480.66	1034.94	1327.50	5143.98	1725.81	1410.30	1468.15
Netherland (24)	165.69	-0.4	162.52	114.15	146.10	144.10	-0.3	3.81	166.33	163.59	114.34	146.67	144.55	172.75	150.39	163.44
New Zealand (13)	51.72	+1.5	50.78	35.64	45.60	50.53	+1.4	4.41	50.98	50.14	35.05	44.95	49.85	51.72	40.56	47.15
Norway (22)	154.09	-0.5	151.14	106.17	135.87	150.58	-0.4	1.75	154.90	152.34	106.48	136.59	151.12	166.21	137.71	171.86
Singapore (38)	252.02	+0.0	247.20	173.65	222.22	188.61	+0.1	1.83	251.98	247.80	173.20	222.15	188.45	262.72	207.04	220.18
South Africa (60)	208.57	+0.5	204.58	143.70	183.90	210.39	+0.6	2.41	207.26	203.83	142.47	182.74	209.06	208.57	144.72	209.42
Spain (45)	123.95	-1.0	121.58	85.41	109.29	121.61	-1.0	4.85	125.21	123.14	86.07	110.40	122.78	132.82	115.23	151.78
Sweden (36)	167.14	-1.1	163.94	115.15	147.37	191.57	-0.8	1.76	168.93	166.14	116.15	148.95	193.12	184.09	148.70	194.46
Switzerland (50)	126.40	-0.3	123.98	87.09	111.47	118.52	-0.1	1.83	126.80	124.70	87.17	111.82	118.68	129.38	108.91	112.98
United Kingdom (219)	174.56	-0.4	171.22	120.26	153.91	171.22	-0.6	4.05	175.21	172.31	120.43	154.47	172.31	181.39	162.00	188.65
USA (519)	182.51	+0.0	179.02	125.75	160.93	182.51	+0.0	2.80	182.51	179.49	125.47	160.98	182.51	186.27	175.38	168.52
Europe (753)	143.06	-0.4	140.32	98.57	126.15	135.35	-0.5	3.29	143.64	141.27	98.75	126.86	136.00	149.02	133.92	153.18
Nordic (114)	160.39	-0.7	157.32	110.51	141.43	161.44	-0.5	1.54	161.48	158.81	111.01	142.39	162.33	171.77	142.15	180.35
Pacific Basin (713)	148.33	-0.2	145.49	102.20	130.79	106.11	+0.0	1.11	148.60	146.14	102.15	131.03	106.12	159.07	105.89	107.97
Euro-Pacific (1466)	146.06	-0.3	143.28	100.83	128.78	118.85	-0.2	1.99	146.48	144.04	100.67	129.13	118.58	154.05	117.26	126.26
North America (627)	179.13	+0.0	175.70	123.44	157.97	178.21	+0.0	2.81	179.14	176.15	123.15	157.98	178.23	182.38	171.51	165.92
Europe Ex. UK (534)	123.56	-0.4	121.21	85.16	108.99	114.77	-0.4	2.76	124.11	122.06	85.33	109.46	115.20	128.65	112.51	131.55
Pacific Ex. Japan (243)	188.21	-0.1	184.61	129.70	165.97	174.52	-0.3	3.15	188.38	185.27	129.52	166.12	175.01	194.08	152.70	173.25
World Ex. US (1653)	146.93	-0.3	144.12	101.24	129.56	120.60	-0.2	2.01	147.30	144.87	101.27	129.89	120.83	154.27	118.51	128.03
World Ex. UK (1953)	156.24	-0.1	153.25	107.66	137.78	136.52	-0.1	2.13	156.45	153.87	107.56	137.67	136.60	161.34	134.22	136.15
World Ex. So. Af. (2112)	157.51	-0.2	154.60	108.61	138.99	139.14	-0.1	2.31	157.87	155.26	108.54	139.22	139.81	162.74	137.29	140.30
World Ex. Japan (1702)	166.88	-0.1	163.70	115.00	147.16	162.38	-0.2	2.96	167.12	164.36	114.90	147.38	162.68	170.05	157.47	162.78
The World Index (2172)	157.87	-0.2	154.85	108.78	139.21	139.73	-0.1	2.31	156.12	155.50	108.70	139.43	139.88	162.86	137.32	140.72

Constituent change with effect 7/7/93: Deletion: Asland (Spain). Latest prices were unavailable for this edition. USA market closed July 5.